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Straight talk at Capgemini

— Highlights of a conversation between
Serge Kampf, Paul Hermelin, Pierre Audoin
and Eric Champ on April 27, 2010.



Left to right: Eric Champ, Paul Hermelin, Pierre Audoin, Serge Kampf

Is Capgemini's offering keeping step with client expectations and markets? As new entrants from emerging economies weigh in and the trend towards industry concentration takes shape, what sets the Group apart? What sort of organization does it need to meet the challenges ahead? And, more generally, what does the future hold for IT providers seeking the right balance between industrialization and customized services?

These and other questions were the themes for an afternoon of lively debate in the office of Capgemini's founder and Chairman on rue de Tilsitt in Paris. Clearly, the issues involved—both general and specific—were too vast to be fully covered in such a short time. Yet there was certainly no lack of expertise. While the two business leaders who have shared the helm at Capgemini since 2002 naturally focused on Group strategy, the other two participants brought a wealth of experience and know-how in the IT sector to bear on the questions raised. Pierre Audoin heads a business that monitors global markets in the field, while Eric Champ, a recent recruit at Capgemini, has a proven track record in IT engineering—and is also an iconic figure in rugby union, where he was selected to play for France 42 times.

(...)

Serge KAMPF: Last year I asked Jacques Chancel to make Capgemini the subject of a special follow-up to his famous Radioscopie broadcasts, which were such a huge and deserved success in France—going on air 6,826 times before he ended the series more than 20 years ago. Mr. Chancel knew practically nothing about our business and the fields we operate in, but he was clever enough to use that to his advantage and make some very pertinent points. But today we're in a completely different situation, since we're all specialists.

Pierre AUDOIN: Well, it's certainly true that I head up a business focused on analyzing the IT industry and the trends shaping its future. [...] But I suppose that the real reason you had me join you today is that I've known your Group since the very beginning and have kept close track of its growth over the years.

Serge KAMPF: With a close and very critical eye—which is as it should be. What about you Eric?

Eric CHAMP: I suppose that I'm here because I'm both a newcomer—I only joined Sogeti a few months ago—and an old hand, with 20 years experience in the IT industry. And perhaps, too, because my background as a rugby player gives me a fresh view of things.

Serge KAMPF: Let's start with the newcomer part. You've only just arrived, so you haven't really had time to fully adopt the Capgemini mindset and you are certainly ready to speak your mind. What sort of questions do you have at this point?

Eric CHAMP: So you're doing the interviewing? Right! What I wonder first is not whether the economic crisis is over or not—nobody can say for sure. What I want to know is whether the Group has continued to invest and build for the future during the crisis, or instead put everything on hold.

Paul HERMELIN: On that, the first point to make is that we've held up, as has the industry generally. Which was not the case during the last downturn in 2000 and 2001. And, most importantly, we have continued building for the future. Last June, at the height of the crisis, we decided to invest €30 million in the worldwide launch of five global service lines¹, targeting the most promising market segments. Today we have good reason to think that clients have welcomed these additions to our offering, and as a result we expect bookings in those lines to increase by €800 million in 2010. That is just one part, although vitally important, of the program we call BaU².

Pierre AUDOIN: Paul, could you give us an example of the promising segments you mentioned?

Paul HERMELIN: A lot of our clients today want smaller projects or want to slice big projects up. They want us to deliver a piece, then improve it, and then improve it yet again. Some of our competitors do nothing but that and never carry out big projects—and they have done pretty well out of it. We are talking here about new contenders, especially some Indian businesses, that offer a continuing cycle of maintenance and development. They've understood the importance of that. Today, users put 75% to 80% of their IT spending into maintenance, but they don't want to just keep their applications running as they are, they want to improve them, to upgrade them or make them easier to use. Our Application Lifecycle Services are



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Rugby is a world where you meet an amazing number of people with a genuine passion. And you can't help thinking that their strengths and talents could be put to good use in our businesses.”

Serge KAMPF in his preface to *L'esprit rugby: Pour un autre leadership* published by Village Mondial, 2007

1. Business Information Management, Application Lifecycle Services, Testing Services, Infrastructure Transformation Services, and Smart Energy Services.
2. Business as Unusual.

a response to that. And they go beyond a straightforward all-inclusive package, since they cover two types of service that traditionally had different billing structures.

Eric CHAMP: We have a sound offering, that's true enough, but what about client demand?

Pierre AUDOIN: And in passing, let's not forget that concern over costs didn't start with the economic crisis—and isn't going to stop when it's over.

Paul HERMELIN: What strikes me today is that clients may be hesitant about signing large contracts but they still want to invest. Because technology is still on the move, and changing very fast. To give you an example, I recently asked the people at Apple why they had made a telephone, and they replied "We didn't. The iPhone is an Internet portal; the phone function is secondary." And look at the banks, all working on payment systems for cellphones and the security issues they raise. That's certainly something for IT experts to get their teeth into!

Eric CHAMP: What you are giving us there are reasons to be optimistic for the longer term. But what about the shorter term? What about now?

Paul HERMELIN: An important indicator for that is the volume of projects in the pipeline. Last year, demand for large projects plummeted, with very few contracts over €10 million and those in a range of €30 million to €100 million put off until later. Yet today our portfolio is back to where it was before the crisis. A fresh wave of innovation is sweeping our markets, which is certainly promising. Just look at all the commotion around cloud computing over the past year, and all the hopes placed in it. So where we are now is that businesses are coming out of a slump with a will to invest. And that has not often happened before.

Serge KAMPF: Yes, cloud computing. That has certainly put some new life into the market. The hardware people see it as the way to win back control of their clients. Some of those

clients think they will be able to plug into almost unlimited IT resources as easily as they connect up to the electricity supply. And the software applications people think they are going to be able to sell by the hour instead of by package. All of that is putting things in motion, making for new demands, which is going to revive investment in technology. But we mustn't get over-excited about it. This is no revolution.

Eric CHAMP: What is the impact likely to be for us?

Serge KAMPF: Like others, we will need to take a fresh look at things and shake up some of the structures in our business lines. But that's the way it's always been—for the past half century, IT service providers have had to continuously adapt to new technologies, new client expectations and, of course, new competition. In this case, the phrase "cloud computing" is new and particularly well chosen: it's evocative. And it will become a reality, since it meets a real demand for a service, billed on actual use, that shares infrastructures and computer applications. That said, back in the 1960s users were already asking IT specialists to find a way to pool infrastructures; at that time, it was called "time sharing." Cloud computing has a nicer ring to it.

Paul HERMELIN: I wouldn't go so far as to say that cloud computing is a revolution, but I do think—and I know Serge and Pierre will agree with me on this—that the IT sector has long been criticized for its rigidity, for being too set in its ways, too slow to move. With cloud computing and Software as a Service, you can move faster—be more flexible, responsive and



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Eric CHAMP

adaptable. It's true that a lot of things already existed, but this time you combine the power of information technology with agility and you get something new.

Pierre AUDOIN: That's true enough, but let's not think we're talking about a miracle cure for every problem. Somebody always rolls out one of those every two years or so. Which is why the notion of service, as opposed to industry, is so important. It means having the capacity to understand client needs and offer solutions that not only meet those needs but also match clients' resources, their competitive positions, their strategic goals, their experience, their timeframes, and so on. Admittedly, cloud computing brings with it an idea of agility, but I also see it as a dramatic step backwards—back to the monopolies that have been such a striking feature of the IT sector practically from the beginning.

Eric CHAMP: Perhaps you could expand on that a bit, Pierre.

Pierre AUDOIN: When you pool IT resources and create a virtual infrastructure, you recreate huge data processing factories controlled by a handful of industry heavyweights. And users equipped with a tiny mobile device or a light notebook will depend directly and totally on enormous platforms operated by giant companies prepared to spend billions of dollars, in most cases outside Europe. I agree with you, Paul, when you say demand is picking up again, but the reason Capgemini is able to respond to it is that you have such diversified resources—not because you have a miracle solution called cloud computing.

Serge KAMPF: What makes Capgemini special is the sheer breadth of our capabilities, which cover everything from consulting to outsourcing, including technology services and local professional services. That's something you don't see so often—and those that have tried know that combining all those things is not so easy.

Pierre AUDOIN: The Capgemini I put my faith in is the Capgemini that worked to achieve that diversity from the start, a diversity reflected in both its offerings and its geographical presence, which extends from the local to the truly global. The wider your geographical reach, the greater your differentiation and multiplication of operations, which together help protect you from business downturns. If you only have one line of business, and you operate in only one country or region, there's always a danger that you might be abruptly pushed out of the market.

Paul HERMELIN: We're still far from achieving that configuration, given that we develop genuine worldwide reach in six industry sectors³. In power supply, for example, it's true that we're a major player: I think we've helped install more smart meters and grids than any of our major competitors. And even if we're not number one worldwide, we're definitely fighting hard to get there. I also see transport as a sector with major potential for the future; it's a field that draws on a massive concentration of IT expertise—and one where we've lagged behind a bit. We're pretty strong in freight and logistics, but much less so in passenger transport. To take one last example, a few years back we pulled out of the health care market in the United States. We've maintained a strong presence in the Netherlands and France, but we are virtually absent from the UK market. So we've decided to move back in and invest there.

Serge KAMPF: The same applies to defense. We pulled out entirely at one point, selling to our partner Matra the subsidiary we'd set up with them. That was no doubt a mistake. And we're now moving back in.



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IT service providers have had to continuously adapt to new technology, new client expectations and new competition.”

Serge KAMPF

3. Consumer Products, Retail & Distribution; Energy, Utilities & Chemicals; Manufacturing; Public Sector; Financial Services; Telecommunications, Media & Entertainment.

Eric CHAMP: There's also a new field that clients are eager to get a grip on—sustainable development.

Paul HERMELIN: True, green IT holds real appeal for our clients. In the public sector, for example, we've won a contract from the Environment Agency of England and Wales, whose goal is to set the pace for green government in Britain. To win the contract, we had to prove our credentials in CO₂ emissions, and to do that we set up a center near London that calculates energy consumption to very strict standards, using the latest evaporative cooling system technologies.

Pierre AUDOIN: Listening to you, Paul, I get the impression that you've embraced a strategy centered on major clients. Let's not forget that they account for only one-third of the total IT services market. Personally, I think your future lies in a sound balance between major accounts and businesses with mid-size and small clients—which means finding the way to link up with clients of all sizes, right across the spectrum.

Paul HERMELIN: Which is easier said than done.

Eric CHAMP: Big accounts and small accounts require two radically different approaches. And targeting both simultaneously requires massive energy and sales resources.

Serge KAMPF: The real question is to see whether we actually benefit from working with SMEs as well as major corporations, compared to our main rivals. I'm convinced that it's in our interest in many sectors and regions, particularly in Europe, to maintain a strong presence with some client categories that never sign big contracts. A big contract is fantastic; it adds to your reputation and the people working on it are proud to be involved. In most cases, it draws on new and original technology, and you get good press coverage. But there's a flip side, too: the day your contract ends or the client merges or is bought up, or a new boss appears and changes strategy and suppliers, well, you end up with a big hole in your budget and your revenues. Let's not forget either that there's a whole new generation of managers now taking over in companies—people who are thoroughly at home with IT. That will also have an impact.

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Clients want the off-the-rack solutions plus the option. The best off-the-shelf quality, plus a layer of uniqueness.”

Eric CHAMP

Eric CHAMP: Absolutely. For big clients, decisions used to be made by the senior tech person, a sort of “Mr. Technology”. But all that has changed. Nowadays, once you've convinced the head of IT, he passes your information on to the head of purchasing—who also knows his way around IT. So the final decision is up to the person whose job is to ensure that the business spends as little money as possible.

Paul HERMELIN: You're now with Sogeti, a Group company whose strength lies precisely in its ability to maintain direct links to mid-level decision-makers at major clients. But these days, it too often has no choice but to buckle under and sign a framework agreement with the head of purchasing. Yet once that's done, Sogeti knows how to go out into the field, locate the real end-users, and sign more targeted contracts with them.

Eric CHAMP: We've talked about dealing with major clients, mid-size companies and proximity. Wouldn't it be useful to have clients team up with us and work together to make best use of this or that part of their expertise?

Paul HERMELIN: In principle I think a co-business along those lines can be a good thing. But not when it's a supposedly 50/50 deal. Because in that case there's nobody in charge. You've got to have a majority partner and a minority partner.

Serge KAMPF: You're right. And in anything related to our four business lines we have to be the majority partner. But we also have to agree up front on an exit strategy when the time comes. A co-business is just one stage, and it usually ends after two or three years.

Paul HERMELIN: Let me add that clients who want to team up with us generally want to pool back-office resources but keep direct control of the systems that give them a competitive edge. An example that worked out very well was our co-business with Unilever to manage their finance and accounting platforms. It lasted three and a half years—very good years—and Unilever has just authorized us to take over 100% ownership.

Serge KAMPF: To come back to the question of big accounts and small clients, let's remember that at any given moment—today, for example—Capgemini has 6,000 active clients! Which means there are many different clients and needs out there. Sometimes a client simply wants to bring operations up to scratch by getting back into the mainstream. In that case, a standard, cloud-computing-type solution can look attractive, just as off-the-shelf software solutions did

in the past. Then there are clients that want to differentiate themselves and develop tools that give them a real competitive edge in their field. And a standard package won't do that.

Paul HERMELIN: So the basic question is “Our business—like many others where human talent is being replaced by machines—is becoming a little more industrialized every day; what will ultimately remain of the service culture that is our key strength and that gives our business its legitimacy?” That's a vital question for companies like ours. This industrialization will mean increasingly standardized products, and I very much doubt that one day we will be software publishers. We develop frames and templates—what I like to call sketches or outlines. Outlines that we fill in with our clients, adapting them to a specific identity, sector or objective. How far can industrialization meet individual client needs? Will a focus on saving time and money make our service-oriented culture a luxury? At some point it could become difficult to strike a balance.

Serge KAMPF: What you call outlines could also be described as building blocks. They're not the end product. Our service is all about customizing them for individual clients, since each is different and generally wants to keep it that way.

Paul HERMELIN: My stab at reconciling industrialization and service would be this: let's have a warehouse—you could also say a library—stocked not with goods but with building blocks, to use your term, and a team of specialists able to do fine-tuning on the client's premises. That's pure service.

Serge KAMPF: Let me add a comparison that is totally personal, but in my opinion is an illustration of the desire to be different. There was a time when tailors made trouser cuffs, whereas mass-produced trousers never have cuffs. My tailor has found a way to stand out from the crowd: he makes trousers with a half-cuff—in the front, but not in the back.

Eric CHAMP: Clients want the off-the-rack solutions plus the option. The best off-the-shelf quality, plus a layer of uniqueness.

Pierre AUDOIN: A group like Capgemini can very well decide to adapt part of its service operations and put them on an industrial basis, particularly in the case of projects on a monumental scale for big corporations and some public-sector entities. But you have to be careful not to shift into low-cost territory. IT must not become a low-end product where price and price only counts, and you do everything on a shoestring.

Serge KAMPF: What really defines service is the direct relationship between a client and a provider—service offering creative support and something extra to carry the client beyond its competitors, wherever possible.



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Pierre AUDOIN

Pierre AUDOIN: The complex issues in the relationship between industrialization and service that we've been talking about raise other questions about the relationship between onshore and offshore providers.

Serge KAMPF: There are some words I wish I could get rid of for good within our Group, and they include "offshore" and "onshore." Why? Because they're clumsy and ambiguous: we are all "offshore" or "onshore" for somebody else.

Paul HERMELIN: You're right, Serge. And we need to remember that, in the interest of Group unity. We don't have two different classes of staff. But until we come up with something better, at least for today I want to use those words to distinguish our historic bases—France, the Netherlands, the United Kingdom, the United States, and so on—from the others.

As IT providers, we have the good luck to operate on markets that get bigger every year, which is why we recruit on such a large scale whenever we find talented, well-trained people available at lower cost. But this growth also enables us to increase our onshore staff. Admittedly, the economic downturn has not allowed us to really maintain that balance, but the situation is taking a more favorable turn. An example of that is our Financial Services division, which is making a net increase in staff at sites in Nantes, Paris and the Netherlands. It's also the first of our sectors to have bounced back from the slump. And it shows how our integrated model combining off- and onshore expertise, which began with the acquisition of Kanbay, can generate employment in France and the Netherlands at the same time as in Mumbai or Buenos Aires.

Pierre AUDOIN: I think it's very important to say that explicitly, and make it clear. Because it addresses a major worry for your staff. The way they see it, industrialization in our sector means offshoring operations to low-cost countries. And they're afraid that just as manufacturers have been streaming away from Europe, there may come a day—perhaps fairly soon—when domestic IT services no longer exist in their country.

Eric CHAMP: What about engineers trained in the developing world coming to work in Europe? Does that happen?

Paul HERMELIN: In the United States, the law authorizes and even encourages foreigners to come and work, but in France and most of continental Europe it puts a lot of restrictions on staff from outside Europe arriving to work on client sites. I recently met the head of a leading Indian IT service provider who told me that over 70% of staff at their French subsidiary were French, which means that there would be nothing to be gained by employing professionals from India. So I don't expect to see swarms of Indian, Chinese or Brazilian engineers landing in France any day soon.

Serge KAMPF: You also have to bear in mind that we will never come out on top just by offshoring to India: we will never be quite as Indian as the top Indian providers.

Eric CHAMP: Another point to remember is that India is not only a source of skilled workers. The acquisition of Kanbay also gave Capgemini control of its subsidiary handling technical documentation for aerospace group Bombardier. That reference and that expertise enabled us to win a contract worth over €5 million with Airbus, and position ourselves in a sector where we are now a recognized contender.

Paul HERMELIN: That's true. And it's worth noting that India is now a main base for innovation at Capgemini, with centers of expertise in areas like distribution, life sciences and telecoms.

Pierre AUDOIN: Don't you envisage any alternatives to your development in India?

Paul HERMELIN: It's true that despite the spectacular rise of India in IT services, a lot of our clients would like us to move into another major offshore base. Which means supplementing operations in India, not replacing them. And there are some attractive options,



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Paul HERMELIN

like Morocco, but in general you pretty quickly run up against a shortage of skills. What about China? Chinese engineers certainly have the expertise, but they are not particularly internationally minded.

Serge KAMPF: The Chinese have a big disadvantage in that they don't speak English. But they have a big advantage in that they do speak Chinese!

Paul HERMELIN: They are likely to learn English more quickly than we learn Mandarin.

Pierre AUDOIN: Serge, at the beginning of the 1990s, you wrote that "the US accounts for 40% of the world market, Western Europe for 40%, Japan for 10% and the rest of the world for 10%." Today you have 35% for the US, a much smaller share of 28% for Europe and a steady 10% for Japan. Which means that the share of other countries, including emerging economies, has risen from 10% to 27%.

Serge KAMPF: It could also be that the figures are more reliable now than they were 20 years ago. Whether that's so or not, it remains the case that our Group is still under-represented in the emerging world—not in India, but certainly in China, in Brazil and in Latin America generally.

Paul HERMELIN: I have two things to say about emerging markets. First, Capgemini often works on complex projects with clients such as Chinese oil majors or big Indian firms that want the guarantees stemming from a contract with a top name from the West. My second point concerns specific areas of expertise. For example, as you know there is an important project relating to digital identity getting under way in India and we want to be part of it, leveraging our proven know-how and the experience acquired with e-border contracts in the UK and the US. I think that Capgemini can make a really useful contribution to the project through a consortium bringing together Indian firms and international providers. More broadly, today's world has more than one center and there is nothing stopping us from teaming up with India's

leading IT service providers for projects on this scale in the future.

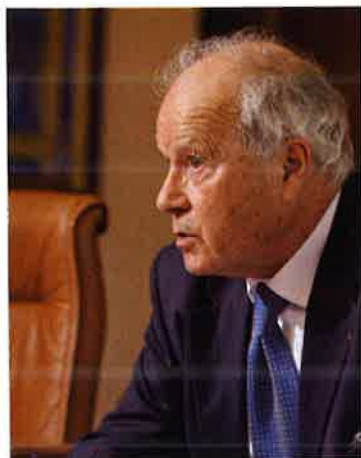
Pierre AUDOIN: Overall, Capgemini generates 28% of its revenues in the public sector. Can you give us any other examples of opportunities in the field?

Paul HERMELIN: Well, Pierre, you should know that one of our areas of excellence is taxation. With our positions in Europe, particularly the UK, we can even lay claim to the number one place worldwide in computerized tax services. And these clients are both sound and in for the long term! Taxation is one thing that will certainly still be around for the foreseeable future.

Eric CHAMP: The fastest-moving sectors in emerging markets are going to be banking and telecoms. And we are working to win positions in banking in China and Brazil.

Serge KAMPF: When you say "we," do you mean Sogeti or the Group? Because Sogeti is the Group's local professional services subsidiary and I really wonder what it could be doing in China or Brazil. And the Group itself has no business going thousands of miles to look for what it can find on its doorstep. To take a concrete example, when you have less than 1% of the German market, it seems to me you should think about what you can do there before you take off for Brazil.

Paul HERMELIN: There's no doubt about that. There are growth segments in France, Italy and the UK, for example. And we are certainly not going to just forget about those countries.



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Serge KAMPF: It's worth remembering that while we are present in some 30 countries, just four of those countries—France, the Netherlands, the UK and the US—together account for no less than 80% of Group revenues. So you don't want to get too carried away with talk about geography. We are pretty strong in Europe, but even in the US we are lightweights.

Paul HERMELIN: In the US, we take only the 17th place overall, but we're in the top three for distribution, telecoms and utilities. We target several specialized sectors rather than the market as a whole.

Serge KAMPF: To come back to what we were saying about new markets, when we decide it's really important to move in, I think we have to accelerate things by acquiring businesses that already have significant positions in the areas where we have special strengths.



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Paul HERMELIN: And when you're talking instead about mature markets like France, the priorities need to be organic growth and reinforcement in technologies. Because I think our Group has lagged behind in some areas and needs to make fresh investments—in large platforms, for example. We also need to reinforce operations in some business lines. I think Capgemini has tended to rest on its laurels a little in ERP and has not tracked some technological developments as closely as it should have. But the gap is now being closed and a few small acquisitions will help in that area, too.

Pierre AUDOIN: Don't forget that consulting remains one of your key strengths. When competition heats up, you need to invest in areas where you can bring added value and reinforce client relationships. That means that you'll also have to reinforce your consulting business.

Serge KAMPF: Absolutely. Consulting has often been the starting point for our most successful assignments.

Eric CHAMP: But do we have the resources to match these ambitions?



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Serge KAMPF: At the end of 2009, we had net cash amounting to around €1.3 billion, so we can afford to take the offensive. And everyone knows that over the 43 years we've been in business we have made over 40 acquisitions, demonstrating our capacity to integrate new businesses and respect different cultures.

Eric CHAMP: So we're ready to go on the hunt. What about the risk that we might find ourselves hunted instead?

Serge KAMPF: Two big clouds are casting their shadows on our market. The first: very large and very well-heeled US tech groups. I've read that the top five have something like \$150 billion in cash—which is impressive any way you look at it! Then there are the big Indian companies. So there we are, two clouds—and a thunderbolt can come out of either at any moment...

Eric CHAMP: Even with our financial resources, how can we protect ourselves from a takeover bid?

Serge KAMPF: We need a corporate project—which means a strategy, with specific objectives and strong values to motivate people, plus a Board that's prepared to fight, and a united management team that's loyal to the leader. It's harder to counter a hostile bid that stands for a project people might identify with. Which means our own project must be at least as attractive as that of any predator. A takeover bid is not just a question of money. If it were, we'd be long since dead and gone.

Eric CHAMP: So we have to deliver a clear message defining our corporate project?

Serge KAMPF: Absolutely. There's no point having a good project if your team doesn't know about it or doesn't subscribe to it because it hasn't been pitched to them properly. Which is why our message is important.

Paul HERMELIN: And simply preparing to stand up to an attack is not enough; we have to be ready on the day. Now.

Pierre AUDOIN: I think you're right, but I also think that it wouldn't necessarily be in the interest of major US and Indian competitors to try to make a hostile bid for Capgemini. First, because it would be very expensive for them to overcome the apprehensions and

likely opposition of management. Secondly, because even if they did buy the business, there would be no guarantee that they would keep the same close ties to clients you have—that's where your strength lies.

Serge KAMPF: Another factor also provides some protection, and that is labor legislation in most of the major economies in Europe. A banker recently reported that one of those potential buyers had told him "If I buy Capgemini, I would shut down its French operations. I wouldn't want to risk exposing our company to the same sort of troubles I've experienced in France." Now you don't find the same issues everywhere in Europe, but there are others that are just as restrictive [...]. Speaking of which, we talked earlier about setting up a co-business or forging alliances in sectors of excellence. That can represent an additional level of defense, if your allies are big enough to step in as white knights.



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Eric CHAMP: You've mentioned large US competitors that are well established on the market. But there are also hardware producers that are breaking into services.

Paul HERMELIN: I'm not afraid of the Americans. When we cross swords with them, the fight is out in the open and we often come out on top.

Serge KAMPF: To return to our Group, I think our expansion into new parts of the world with different cultures should lead us to rethink our organization, so that our structures are not only geographical but built up more around business lines and/or major economic sectors.

Paul HERMELIN: Fine, but I'd add one thing. We currently represent—successfully, in my opinion—a complex dimension that you can call “glocal.” Clients seek global—meaning worldwide—partners because they want international benchmarks and want their service providers to be able to provide support wherever they are in the world. But they also want local players, because they want to work with people they know. So they demand the best of both worlds.

Eric CHAMP: Entrepreneurial decentralization is one principle defining our current structure. Will that hold true in the future?

Serge KAMPF: Its great strength is that it allows you to have managers on the ground at each site.

Paul HERMELIN: As you keep reminding us, Serge, decentralization doesn't mean disorder. You believe that freedom carries rights, more specifically the right to take decisions and initiatives. But also that it implies duties and obligations. Managing Capgemini requires discipline. And I think there will be an increased need for discipline in our new environment. As illustrated by "aligned decentralization" which is at first sight a contradiction in terms: Entrepreneurs are by definition free agents—otherwise they wouldn't be entrepreneurs! But even so, they have to toe the line and adopt the Group's main objectives, just like iron filings that line up with magnetic fields.

Serge KAMPF: We've put the brakes on certain initiatives and we'll do it again if we have to. Decentralization is all fine and well, and corporate spirit is great too, but on one condition: you respect the rules of the game.



Paul HERMELIN: Our Ethics and Governance Committee has decided to draw up a new document that sets out rules to comply with Capgemini's corporate values and main guidelines, and to circulate this to all employees. This is our Code of Business Ethics, and it will be a compulsory part of the contracts for new recruits. Our existing workforce will be asked to sign it, but they can opt not to if they wish.

Serge KAMPF: It's about time we talked about our workforce! Because our future lies with the 90,000 men and women who work here. And that's not only the star players, although in each country and in our four business lines we do have real stars. More modestly, let's just say that we've got some of the very best. And it's the expert skills of these men and women plus the quality of Capgemini's management that explain our position and image among the top contenders worldwide.

Paul HERMELIN: We recently launched two programs to get employees and managers more closely involved in our Group's performance. First was an issue of 3 million options for redeemable shares, and second a 6 million-share capital increase reserved to employees. The latter was heavily oversubscribed by several

thousand employees. And over 600 Group managers invested an average €15,000 each in the options. Which is a good indication of the confidence we all feel in our Group's future.

Serge KAMPF: Speaking of confidence, let me remind you that we have another guarantee—another resource that will help us to stay on course—and that's Paul Hermelin. For years, I found myself defending him against everyone. Today he's won his legitimacy and everyone knows that if he's here it's because we have the same reflexes and share the same values. He is the best person I can imagine to replace me, and he's already doing 90% of the job. Some observers thought I hired Paul because he's a graduate of two elite French schools, Polytechnique and ENA. In reality I was taking a big risk in hiring someone who is probably a lot smarter than I am. But it's not the degrees that count, it's the man. And in Paul's case, my own intuition has proved right—intuition being perhaps the most essential quality if you want to run a company.

Eric CHAMP: Which gives me a chance to tell you something I've been meaning to say for a long time, Serge. It's a good moment, too, because you're both right here. I joined the Group because I was deeply moved and impressed by something you described in the 2004 annual report—why and how you had stood by Paul despite fierce criticism. It was so unusual, both to provide that level of support and then to write about it, especially to 150,000 readers. For me, you played an outstanding game that year.

“
*Which is a good indication of
the confidence we all feel in our
Group's future.*”

Paul HERMELIN

Serge KAMPF: Coming from a rugby great, that compliment means all the more. And since you're now at Sogeti, note that your boss is someone who is a guardian of our corporate values. So you're in good company.

Eric CHAMP: I'm aware of that. If there's one thing that characterizes Capgemini, it's the strength of the ties between individuals—and also their ties to the Group as a whole. Since joining Sogeti, I've felt that very strongly many times.

Paul HERMELIN: It's what I would call our "collective affect," which is a matter of shared feelings. That may seem very surprising, but it's genuine. One illustration is the unusually high proportion of people who change their mind and return to the Group once they've left it.

Eric CHAMP: I've heard about that, including comments like "So and so went off to company X to for his teen crisis, but he's back now."

Serge KAMPF: Ah, but we don't take everybody back!

Pierre AUDOIN: What I want to say is that since the creation of Capgemini I've always been optimistic about the Group's prospects. I've always thought that you would grow, win a place in the big league and represent France well. And today I'm sure that you will go on doing just that, provided you stay aligned with your own strengths and founding principles.

Paul HERMELIN: Don't worry: we've carved out a very nice place in the market and we will be defending it. And our clients, like those of your own company, are well aware that the future of IT does not lie with the industrialization of service processes.

Serge KAMPF: Or as Paul would say, using one of those words he picked up from Greek: "industrialized services" is an oxymoron!

(...)



“
*The Group has another
resource helping us to
stay on course—and that's
Paul Hermelin.*”

Serge KAMPF

BIOGRAPHY

Pierre AUDOIN

Born in 1932, Pierre Audoin has spent his entire career in information technology. He served as Special Adviser to France's Commissariat Général au Plan (1964-1967), then General Secretary of a special delegation on IT (1967-1969) and Deputy Adviser on IT (1970-1974). He then moved to the private sector and in 1975 founded Pierre Audoin Conseil, now Pierre Audoin Consultants, present in six countries. Pierre Audoin is Chairman of the Supervisory Board—a vantage point that has allowed him to track Capgemini's activities closely over the past 35 years.

Eric CHAMP

Initially a manager at the DCN naval shipyards in Toulon, Eric Champ, born in 1962, spent most of his career with Assystem, a French engineering and innovation consultancy, where he headed the Technologies SBU and served as vice president. Selected 42 times for the French national rugby team, Champ was a third-row flanker and later captain, then president of the Toulon Rugby Club. He joined Sogeti High Tech as head of business development in November 2009. His dual expertise in business and sport is a perfect fit with the Group's corporate values.

Board of Directors

at April 1, 2010



Serge KAMPF
Chairman



Daniel BERNARD



Yann DELABRIÈRE



Jean-René FOURTOU



Paul HERMELIN



Michel JALABERT



Phil LASKAWY



Bernard LIAUTAUD



Thierry de MONTBRIAL



Ruud van OMMEREN



Terry OZAN



Pierre PRINGUET

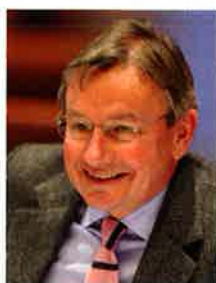


Bruno ROGER

Non-voting Members



Pierre HESSLER



Geoff UNWIN

Statutory Auditors



Jean-Luc DECORNOY
KPMG



Serge VILLEPELET
PwC

Board Secretary



Philippe HENNEQUIN



Ch. Ferdinand

The Grand Canal, Venice

Group Management Team

at April 1, 2010



Serge KAMPF
Chairman

Executive Committee



Paul HERMELIN
Chief Executive Officer



Henk BROEDERS
TS* Global Coordination



Lanny COHEN
TS* North America



Pierre-Yves CROS
Consulting Services
(Capgemini Consulting)



Alain DONZEAUD
General Secretary



Nicolas DUFOURCQ
Deputy General Manager
Chief Financial Officer



Cyril GARCIA ⁽¹⁾
Strategy and Transformation



Philippe GRANGEON
Marketing and Communications



Christine HODGSON
TS* Europe 1 (United Kingdom,
Netherlands, Belgium)



Patrick NICOLET
TS* Europe 2
(Nordic, Central and Eastern Europe)



Salil PAREKH
Asia-Pacific and
TS* Financial Services



Olivier PICARD
Sales and Alliances



Luc-François SALVADOR
Local Professional Services
(Sogeti)



Olivier SEVILLIA
TS* Europe 3 (France, Southern
Europe and Latin America)



Paul SPENCE
Outsourcing Services

(1) Joined the Executive Committee on January 1, 2010 and therefore does not appear in Note 28 of the consolidated financial statements as at December 31, 2009.

Principal Group Directors



Peter BARBIER
TS* Netherlands



Bertrand BARTHÉLEMY
Managed Business
Services



David BOULTER⁽²⁾
Infostructure Transformation
Services (ITS) - Global
Service Line



John BRAHIM
Application Lifecycle
Services (ALS) - Global
Service Line



Hervé CANNEVA
Ethics and Compliance



Bo CHEN
Capgemini China



Philippe CHRISTELLE
Internal Audit



Stanislas COZON
Public Sector



**Jean-Pierre
DURANT des AULNOIS**
Senior Advisor



Aïman EZZAT
TS* Financial Services



Nick GILL
Manufacturing



Hubert GIRAUD
Business Process
Outsourcing (BPO)



Brian GIROUARD
Consumer Products,
Retail & Distribution



François HUCHER
Delivery, Methodologies
and Support



Greg JACOBSEN
Telecom, Media
& Entertainment



Bertrand LAVAYSSIÈRE
Business Process
Outsourcing (BPO) Finance



Colette LEWINER
Energy, Utilities
& Chemicals



Alain de MARCELLUS
Deputy Financial Manager



Eric MORGAN
Latin America, Spain
and Portugal



Andy MULHOLLAND
Technology Innovation



Paul NANNETTI
Business Information
Management (BIM) -
Global Service Line



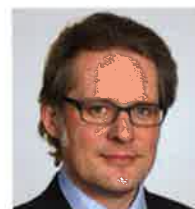
Lan O'CONNOR
Transformation



Ulrich PRAEDEL
Deputy Sales Director



Baru RAO
Capgemini India



Jeremy ROFFE-VIDAL
Human Resources



Isabelle ROUX-CHENU
International Legal Affairs



Antonio SCHNIEDER
Country Board Chairman
Central Europe



Lucia SINAPI
Risk Management
and Corporate Finance



Perry STONEMAN⁽²⁾
Smart Energy Services -
Global Service Line



Hans van WAAYENBURG⁽²⁾
Testing Services -
Global Service Line

The Group Management Board is composed of the 15 members of the Executive Committee in addition to Group Directors whose names are highlighted in yellow.
(2) Joined the Group Management Board (GMB) on January 1, 2010 and therefore does not appear in Note 28 of the consolidated financial statements as at December 31, 2009. Mark Porter, member of the GMB, has since retired.

Insights and outlook

Lessons from 2009 and the road ahead—thoughts from some Group managers.

“Despite continued volatility during the first half of 2010, the lessons learned from 2009 should serve us well to begin to establish momentum, ahead of the market, and prepare us for acceleration into 2011. Our actions to address the impact of delays in deal signings, the benefits of the ongoing transformation of our business, productivity improvements with our sales resources, alignment of our service and solutions portfolio, and further leverage of our offshore assets provide strong foundations for renewed confidence and a positive outlook in 2010.”



Lanny COHEN
TS* North America



Nicolas DUFOURCQ
Deputy General Manager
Chief Financial Officer

“In 2009, we were able to adapt to severely fluctuating market trends between the first and second half of the year, at the cost of drastic reductions in recruitment and support costs. The economic climate was extremely rough but relatively short-lived, with initial signs of rebound in our more cyclical activities, Consulting and Sogeti. Today our aim is to capture the market upturn by sailing close to the wind without losing sight of our cost control.”

“

In 2009, our global presence increased by 27%, with more than 2,100 employees in Poland, more than 3,000 in India and 1,500 in Latin America. We have implemented the “command center” concept to measure not only our service performance, but above all its conformity, and benchmark it in a multi-sites environment. We have extended our service offering, with the acquisition of IBX in 2010, positioning us as a supplier of end-to-end solutions in procurement services. We moved from the traditional transaction processing to a genuine platform-based service provider, using the SaaS concept at the core of our offering.”



Hubert GIRAUD
Business Process
Outsourcing (BPO)

“Organizations are challenged by the enormous growth in the volume of digital data available to them—how to capture, store and, most importantly, take advantage of data to drive smarter and more informed decision-making at all levels. In addition, increasingly onerous compliance requirements in many industries demand rigorous processes for the management and control of information. Our Business Information Management service line brings together an extensive portfolio of services and solutions to help our clients to manage their information as a strategic asset.”



Paul NANNETTI
Business Information
Management (BIM) –
Global Service Line



Colette LEWINER
Energy, Utilities
& Chemicals

“

In 2009, our Energy, Utilities & Chemicals (EUC) clients reduced their costs and postponed their investments due to the crisis. Increasingly sensitive to climate change issues, they are strengthening their commitment to energy savings and low carbon technologies. To adapt to these market conditions, we have developed new offerings such as Operational Excellence, Carbon Footprint Reduction, Renewable and Nuclear Energy and are focusing on Smart Energy Services. These offerings, and our clients’ trust, are great assets for building the 2010 upturn in the EUC sectors.”

“

Our endeavors in 2009 will build growth for 2010. In Financial Services, we further deepened our differentiation, especially in claims, payments and risk management. In the Asia-Pacific region, we have taken a strategic route: in Australia we combined our Consulting with a strong offshore component, and in China we are prospecting for multinational clients. In India, our offshore headcount has expanded to 25,000 staff in April, with five new centers of excellence and we are now starting to serve local clients in the private and public sectors.”



Salil PAREKH
Asia-Pacific and
TS* Financial Services



Low tide



Rio San Provolo, Venice

1 2009 and beyond?

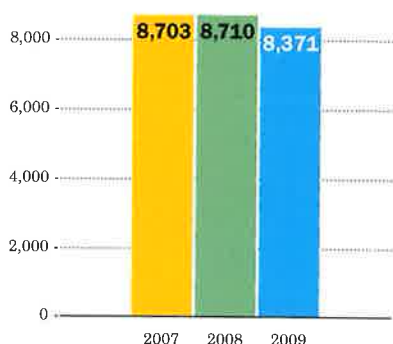
— The Capgemini catchwords in 2009 were resilience and recovery. Resilience, with results achieved despite the crisis. Recovery, thanks to the Business as Unusual program targeting growth. And in 2010? Although caution is still required, optimism is a given since information technology is a driver for the upturn. MIT researcher Andrew McAfee is convinced that companies' competitive edge depends on technological innovation.

Key Figures 2009

— The Group demonstrates its resilience in a particularly harsh economic climate.

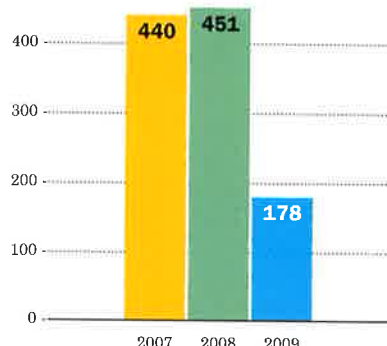
REVENUES

in millions of euros



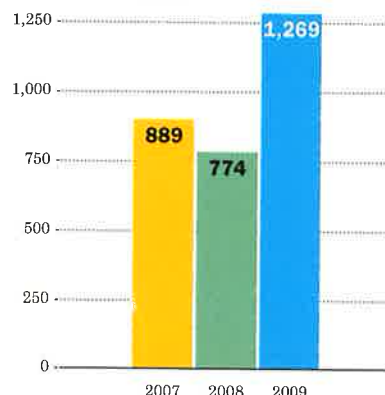
PROFIT FOR THE YEAR

in millions of euros



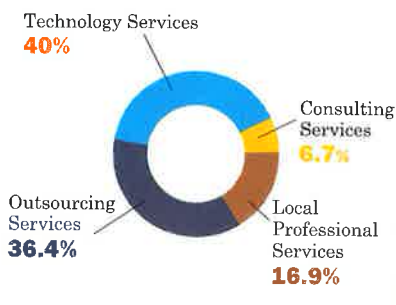
NET CASH & CASH EQUIVALENTS

in millions of euros

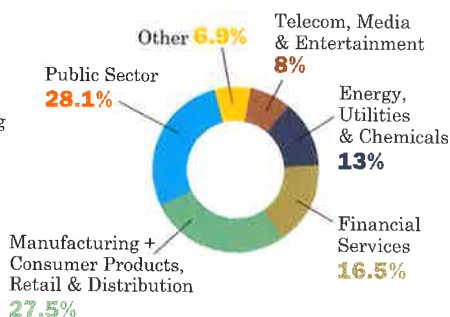


BREAKDOWN OF REVENUES

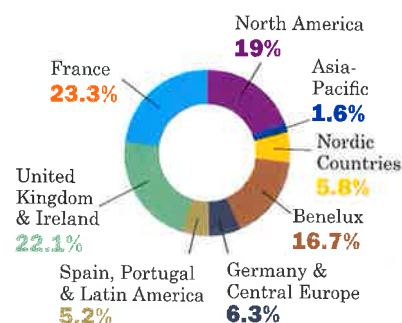
BY DISCIPLINE



BY SECTOR

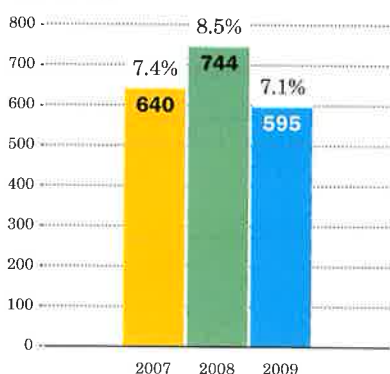


BY COUNTRY OR REGION



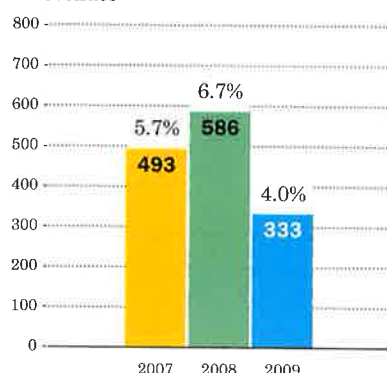
OPERATING MARGIN*

in millions of euros and percentage of revenues



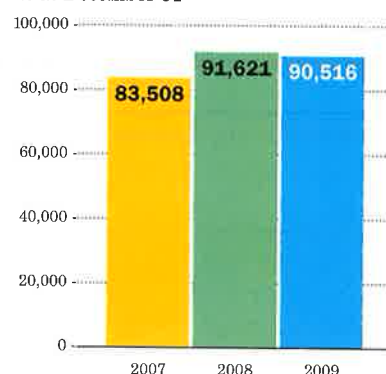
OPERATING PROFIT**

in millions of euros and percentage of revenues



EVOLUTION OF HEADCOUNT

Number of employees as at December 31



*Operating margin represents the difference between revenues and operating expense. This expense is equal to the total cost of services rendered (expenditure required to deliver a project), selling expenses, and general and administrative expenses. **Operating profit is composed of operating margin subject to deduction of the charge arising from shares and stock options granted to a certain number of employees and non-recurring revenues and expenses such as impairment of goodwill, capital gains and losses, restructuring costs, the cost of integrating companies recently acquired by the Group, and the effects of curtailments and settlements relating to defined benefit pension plans.

90,516

employees

Group headcount
as at December 31, 2009.

€595m

Group operating margin,
i.e., 7.1% of 2009
consolidated revenues.

€1,269m

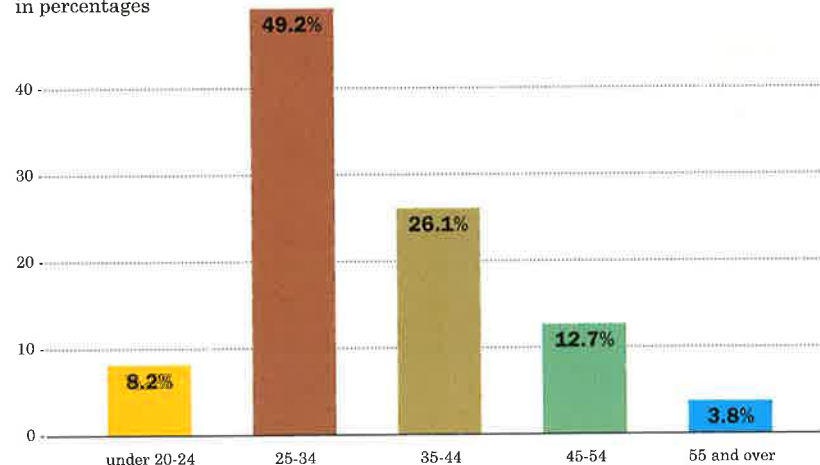
Net cash and cash equivalents,
as at December 31, 2009.

BREAKDOWN OF HEADCOUNT BY DISCIPLINE

| | Dec. 08 | Dec. 09 | Variance |
|-----------------------------|---------------|---------------|---------------|
| Consulting Services | 4,407 | 3,918 | -489 |
| Technology Services | 40,340 | 39,555 | -785 |
| Outsourcing Services | 26,397 | 28,184 | +1,787 |
| Local Professional Services | 20,216 | 18,628 | -1,588 |
| Non-discipline headcount | 261 | 231 | -30 |
| TOTAL GROUP | 91,621 | 90,516 | -1,105 |

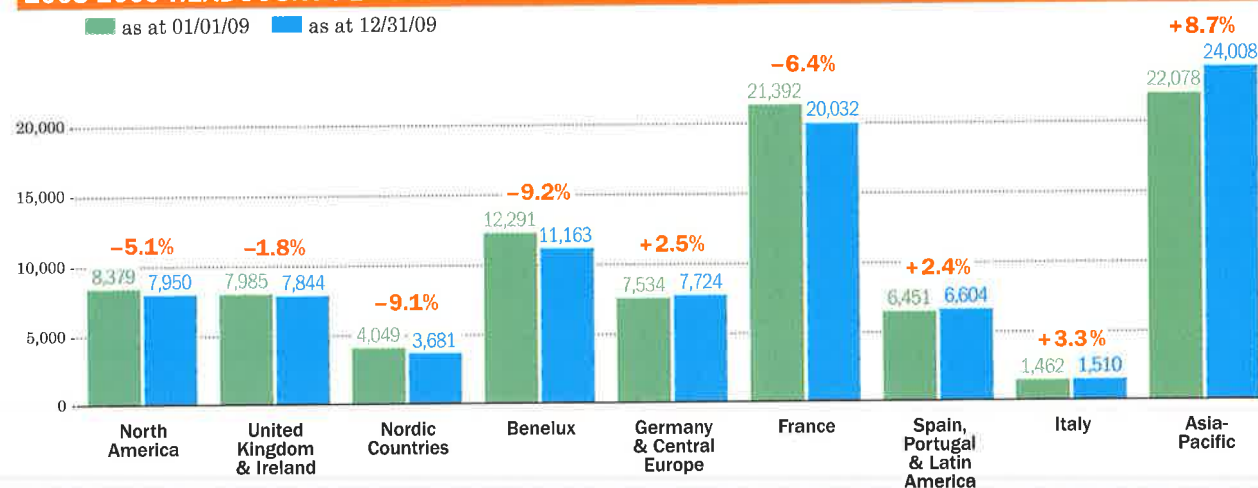
BREAKDOWN OF HEADCOUNT BY AGE

in percentages

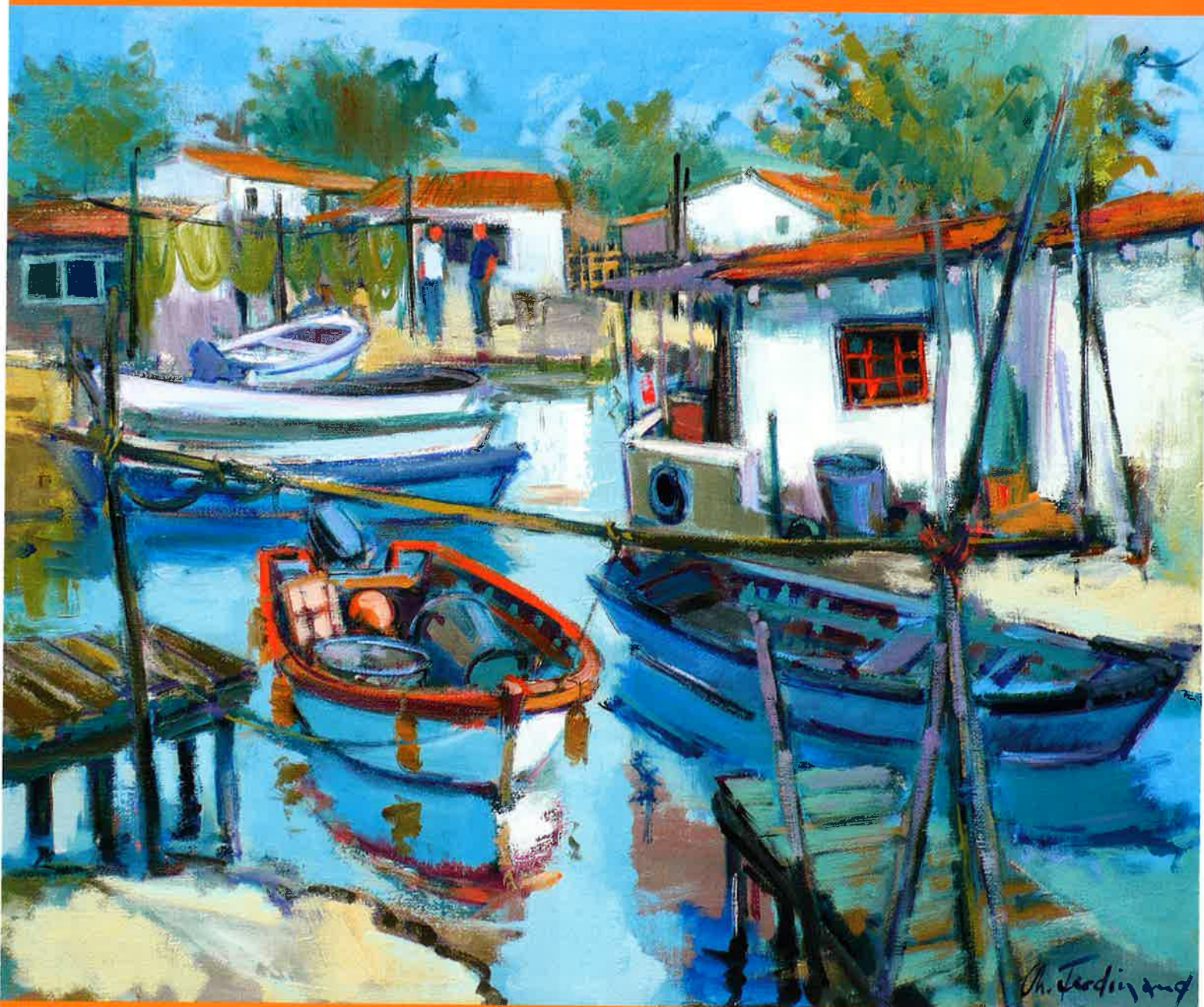


2008-2009 HEADCOUNT PER REGION

■ as at 01/01/09 ■ as at 12/31/09



All Group financial data can be viewed on: www.capgemini.com



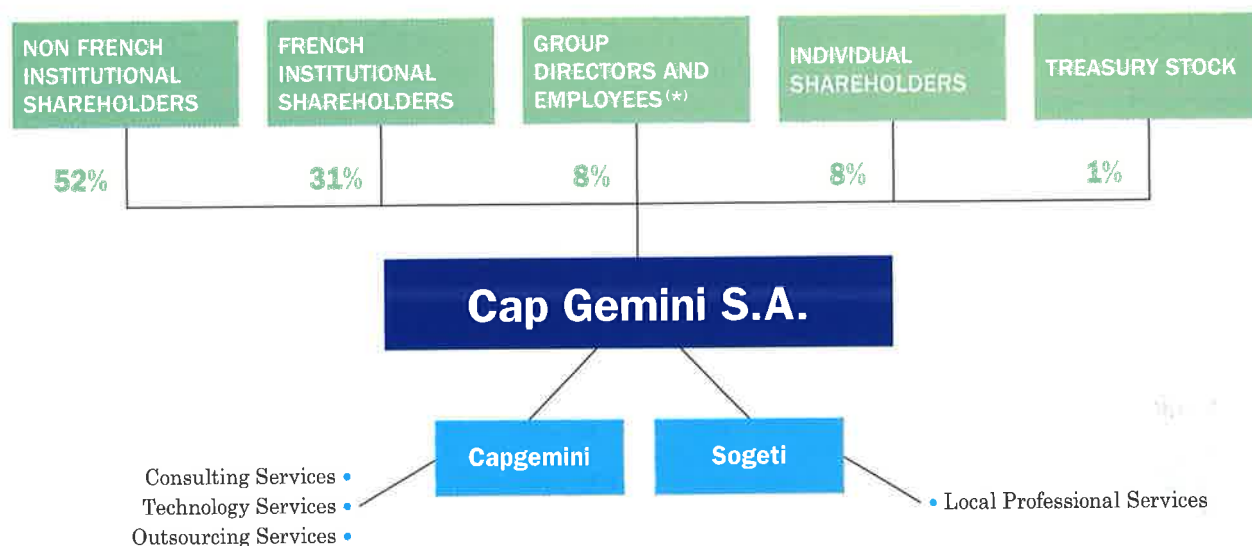
Pointe Courte fishing village, Sète

Registered capital and stock market

BREAKDOWN OF CAP GEMINI S.A. REGISTERED CAPITAL

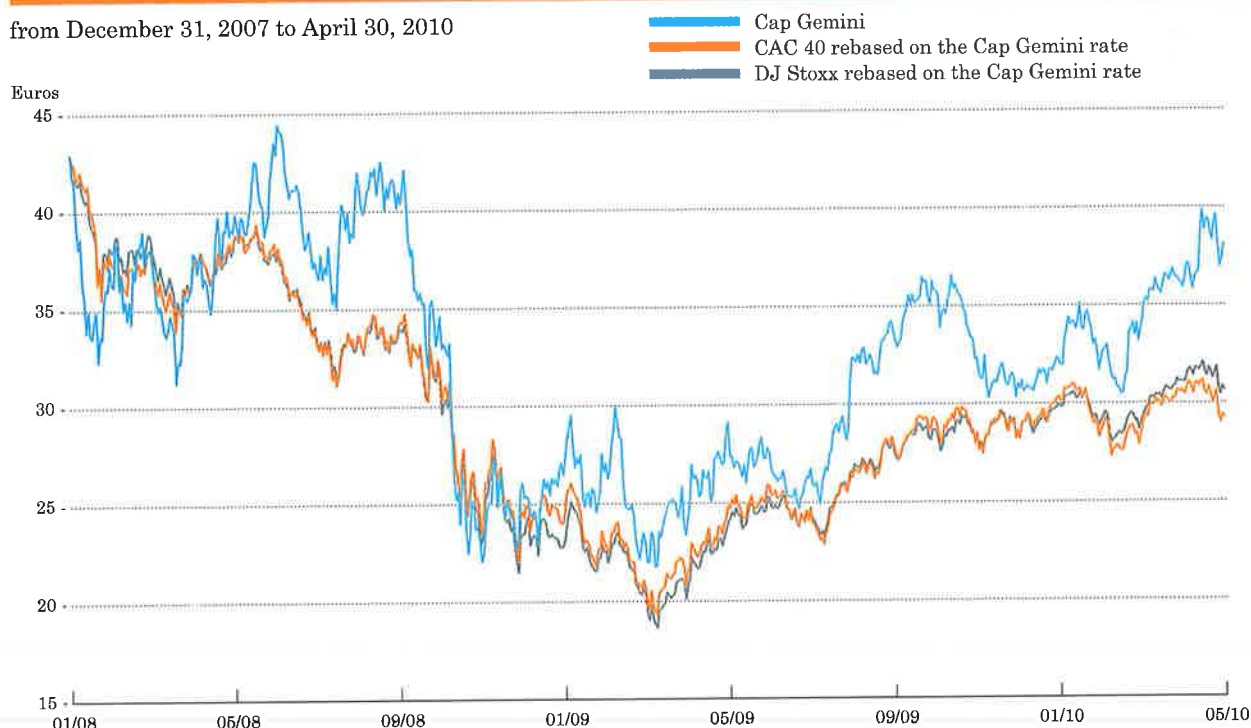
as at December 31, 2009
(on the basis of a shareholder survey)

* Including 3.9% under @ESOP, the employee shareholding plan



CAP GEMINI SHARE PERFORMANCE COMPARED WITH CAC 40 AND DJ STOXX INDICES

from December 31, 2007 to April 30, 2010



Insights and outlook

Lessons from 2009 and the road ahead—thoughts from some Group managers.



Alain DONZEAUD
General Secretary

“Cooperation, confidence, commitment: our unique guiding principles in 2009. In order to improve cooperation between disciplines, we have leaned on our communities (TeamOne and VP, account and project management teams). Our teams have shown their trust in us: they responded by subscribing widely to the two employee share ownership plans implemented in 2009. In the first case, this involved the majority of Group managers and, in the second, 14,000 employees. Such proof of motivation is a major asset.”



Aliman EZZAT
TS* Financial Services

“The ordeal we went through with our financial services clients in 2009 has stimulated us and resulted in the strengthening of our existing positions and our building more intimacy with our clients. Our technical and domain expertise and our innovation capability have been clearly recognized, thereby enabling us to acquire new clients and attract new talent. Moreover, our clients appreciated the speed at which we adapted to their evolving needs and our ability to mobilize resources all over the world to respond to their requirements.”

“In 2009, many of our clients not only faced enormous cost pressures, but also a paradigm change. Suddenly, Application Lifecycle Management, cloud computing, service on demand and Business Intelligence became strong drivers. In the German-speaking market, offshore became accepted, as it had been earlier in the US and UK. All these new services offer operational leeway and new prospects for 2010!”



Antonio SCHNIEDER
Country Board Chairman
Central Europe



Paul SPENCE
Outsourcing Services

“Thanks to the signing of several new agreements and the renewal and expansion of existing accounts, in 2009 bookings grew by 14% compared with the prior year. Moreover, under the Business as Unusual program launched in 2009, the new global service lines Application Lifecycle Services, Smart Energy Services and Infostructure Transformation Services will reap outsourcing contracts with an innovative technology component for the Group.”



Hans van WAAYENBURG
Testing Services -
Global Service Line

“The good news is that our clients are investing again in IT to kick-start growth, and they require tried and trusted solutions. Every day, 6,400 team members dedicated to Testing Services work on just that. As we move towards recovery in 2010, our clients will need top quality, rapid solutions at a reasonable price. And we have the means to satisfy their demands thanks to our offshore resources, industrialization and capability to develop innovative solutions.”



Saint James of Compostela

2009: some highlights

— With its new offers, major contracts, extension deals, acquisitions and new footholds to secure global positions, online advertising campaign and fresh training focus in 2009, Capgemini has what it takes to bounce back.

FOR FURTHER INFORMATION,
VIEW THE ONLINE
FINANCIAL
REPORT PDF
pages 4 to 13

— January —

CAPGEMINI CONSULTING IS OPERATIONAL

Further to an announcement in November 2008, a new entity, underpinned by 35 years of consulting heritage, is launched to consolidate all the consulting units of the Group. Capgemini Consulting is now rated tenth global consulting firm, under the leadership of Pierre-Yves Cros (previously Group Strategy Director) and with 4,000 consultants located in some 30 countries.

— February —

PUBLICATION OF 2008 RESULTS

The Capgemini Group posts 5% (€8.710bn revenue) growth, at constant perimeter and exchange rate. Group operating margin stands at €744 million (8.5% of consolidated revenues compared with 7.4% for the prior year), representing an increase in all Capgemini disciplines. Net profit for the year is €451 million (+2.5%), namely 5.2% of revenues (5.1% in 2007). The share dividend remains €1, so distribution is equal to one-third of year-end profit, in line with Group policy.

CAPGEMINI SIGNS WITH DUTCH MINISTRY OF DEFENSE

The Dutch Ministry of Defense selects a consortium of Capgemini Nederland and Logica to improve materials management and logistics for international operations. This engagement is a follow-up to the framework agreement signed in 2003. In addition, the consortium will further expand previously delivered SAP modules and train employees of the Ministry of Defense's own IT organization, to run existing SAP systems.

— March —

CLIP ACCREDITATION FOR CAPGEMINI UNIVERSITY

The Capgemini University is awarded a Corporate Learning Improvement Process (CLIP) quality label by the European Foundation for Management Development (EFMD). CLIP, a mechanism for quality benchmarking, mutual learning and sharing of best practices, seeks to identify the key factors that determine quality in the design and functioning of corporate learning organizations.



Washing troughs on the Orge, Dourdan

WORLD RETAIL BANKING REPORT

Capgemini and the European Financial Management and Marketing Association (EFMA), together with their new partner Italian bank UniCredit, publish the sixth World Retail Banking Report.

The 2009 issue, covering 203 banks, provides overviews and insights into the global retail banking industry's dynamics, pricing trends and a spotlight on the world's mortgage landscape.

— May —

VALEO ADOPTS CLOUD COMPUTING WITH GOOGLE AND CAPGEMINI

With a view to significantly reducing its office infrastructure costs while simultaneously improving the user collaboration and productivity of its 30,000 Internet-connected employees, leading French automotive supplier Valeo adopts a cloud computing® solution. Google Apps Premier Edition, e-mail security and enterprise search are rolled out in phases to 192 entities in 27 countries. Capgemini delivers the methodology, processes and integration expertise. The new communication and collaborative platform will progressively provide tools to automate administrative procedures and improve both corporate and personal efficiency. Employees are able to access the application from a desktop, laptop or other mobile device.

SOGETI ACADEMY, MICROSOFT TECHNOLOGIES

Sogeti launches 11 training courses on Microsoft products, thereby extending a partnership beginning in 2003. The courses run for 15 to 65 days, depending on the level of expertise targeted (administrator, specialist, consultant and architect). The purpose is to maintain team members at the highest level of Microsoft certification. The courses are also open to Sogeti's clients.

MANAGERS AND EMPLOYEES STAKE THEIR FAITH IN CAPGEMINI'S FUTURE

Some 630 managers from 22 different countries apply for the 3 million BSAAR (redeemable share subscription or purchase warrants) offered. In taking this risk, the managers show their confidence in Capgemini's future. This type of share issuance is a first for a French CAC 40 listed company. In November, the Group's inaugural @ESOP (Employee Share Ownership Plan), proposed in 19 countries, meets with equal success. The 6 million new shares issued, representing close to 4% of Group capital, will be fully subscribed by some 14,000 people.

A WHOLLY ONLINE, GLOBAL ADVERTISING CAMPAIGN

"Together. Free your energies," the slogan launched in 2007, is taken up again. Capgemini invests €5m in its new, exclusively web-based, global advertising campaign that aims to strengthen the Group's position as its clients' preferred partner during the downturn.

The campaign, with videos and banners, runs until July on 80 sites in France, Germany, the United Kingdom, the Netherlands, the United States and India. In addition, Philippe Grangeon, Group Director Marketing and Communications, initiates a complete overhaul of the Group website on www.capgemini.com, for launching in November 2009.

— June —

CAPGEMINI STRENGTHENS ITS INFRASTRUCTURE OUTSOURCING

The Group expands its presence in Eastern Europe to respond to growing demand from clients for infrastructure outsourcing. A new center, opened for this purpose in Iași (Romania) was designed on the basis of the Kraków and Katowice (Poland) nearshore® models. *The Forrester Wave: Global IT Infrastructure Outsourcing*, a report by US technology and market research firm Forrester Research across 31 criteria—including an additional 25-item reference client survey—places Capgemini among the global leaders in this market and notes: "Capgemini excels in being able to propose ever more innovative solutions to its clients. Its infrastructure management strategy seems robust, future-facing and underpinned by a valid economic model."

— July —

ASIAN PAINTS SELECTS CAPGEMINI FOR A SAP PROJECT

India's largest paint company was seeking to upgrade its SAP platform, nearing the end of its lifecycle, with a new version. In addition to the technical upgrade, the scope of the project included applying all required patches for the upgrade, retrofitting all custom developments, validating the upgrade, and providing effective support during user acceptance test and go-live phases. On the strength of their partnership with SAP since 1993, with 5,000 projects rolled out in some 2,000 companies, Capgemini's Indian teams are completing their contract before its term.

EUROPEAN COMMISSION RENEWES ITS CONFIDENCE IN CAPGEMINI

Capgemini Consulting obtains a four-year contract extension with the European Commission, within the i2010 eGovernment Action Plan, through Capgemini Netherlands. The purpose of the contract is to conduct a benchmarking exercise on how European Union member states, Norway and Iceland are progressing with online public services. Since 2001, some 14,000 government websites in 31 European countries have been surveyed to determine the degree of availability and sophistication of their online public services. Using the information thus obtained, every year Capgemini publishes a report on behalf of the EC Directorate General for Information Society and Media.

CAPGEMINI AND IBX PARTNER FOR BPO

Capgemini North America and Swedish IBX Group AB, pioneer and leading provider of e-purchasing solutions, announce their partnership to drive the development of a new industry-first, end-to-end global procurement solution, deployed on Capgemini's BPOpen® technology platform. This solution is expected to accelerate the transformation of supply management processes and to enable implementation costs to be reduced by up to 90%. Through the acquisition of IBX in February 2010, Capgemini will be able to launch the first ever Procurement as a Service (purchasing application accessible in SaaS® mode offer), for managing global sourcing.

— September —

ACQUISITION OF NU SOLUTIONS BY CAPGEMINI AUSTRALIA

The 75 consultants of Australian company Nu Solutions specialize in software testing®. In acquiring this company Capgemini is positioned as leader of the Managed Testing Services® market in Australia, consolidating its client base in the financial services sector and reinforcing its links with the public sector. In the wake of its expansion into Vietnam and China, this acquisition bolsters the Group's presence in the Asia-Pacific region.



- 1 Capgemini is now established in Romania, where it employs 89 people.
- 2 Eurocopter, leading global helicopter manufacturer (NH-90 pictured here) selected Sogeti High Tech for advice on a new system of electronic equipment testing.
- 3 One of the films from the online advertising campaign run in the Group's main countries; the global campaign included specialized or generic banners with links to other Group websites, e-mail or marketing campaigns.

HM REVENUE & CUSTOMS' ONGOING COLLABORATION WITH CAPGEMINI

After five years of successful project and service delivery under the Aspire contract, the British tax authorities have committed to reduce their IT expenditure by £110 million per year from 2011. The contract with the Group was originally struck via subsidiary Capgemini UK in 2004, and subcontractors include Fujitsu and Accenture. The Aspire contract will now run to 2017.

BUSINESS AS UNUSUAL PROGRAM, FIRST GLOBAL SERVICE LINE LAUNCHED

Business Information Management (BIM)® is a set of services enabling organizations to manage their information lifecycles more effectively to meet compliance requirements and gain a better understanding of business trends and performance. BIM is the first of the five global service lines forming the Business as Unusual® program. It is followed by four additional service lines—ALS®, Testing Services®, ITS® and Smart Energy Services®—launched between December 2009 and March 2010.

EUROCOPTER CHOOSES SOGETI

Sogeti High Tech, a wholly owned subsidiary of the Capgemini Group, is selected as consultant to Eurocopter, the world's number one helicopter manufacturer, for the modernization of its avionics testing. Sogeti High Tech is to propose a more effective testing system that is fully integrated into the equipment lifecycle.

BUNGE LIMITED ACCEPTS CAPGEMINI'S BID

Capgemini North America signs a seven-year deal with US food and agribusiness giant Bunge Limited, whose global integrated operations stretch from farm field to retail shelf, to streamline its finance and accounting services under a BPO® contract. Capgemini will provide both front-office functions and specialized activities in some geographies, including global transactions and master data, adjusting its services according to its Rightshore® delivery model.

CAPGEMINI WINS THE CONFIDENCE OF THE US ARMY

A five-year contract with the US Army for US\$88 million is awarded to Capgemini Government Solutions, a subsidiary of Capgemini North America. Capgemini is to provide Independent Verification & Validation (IV&V) support services for the Program Executive Office Enterprise Information Systems (PEO EIS), the organization responsible for providing infrastructure and information management systems to the Army. PEO EIS is establishing an IV&V function at the Army Enterprise level to improve enterprise resource planning (ERP®) implementation.

CAPGEMINI BECOMES A KEY RENAULT PARTNER

Capgemini signed a three-year Outsourcing Services deal with Renault, thus becoming the French automotive group's preferred partner for outsourcing. Capgemini is taking over the operation and management of a quarter of the Renault Group's application portfolio. This project, rallying 180 people from the Group, covers technical and functional updates and improvements, support, and application development for purchasing and procurement, quality and sales.



— The Business as Unusual program covers three areas: growth (five global service lines), optimization of the organization (Lean®) and enhancement of human resources (Talented Company®).

® Term, abbreviation or acronym explained in the Glossary (see inside right flap, at the end of the document)

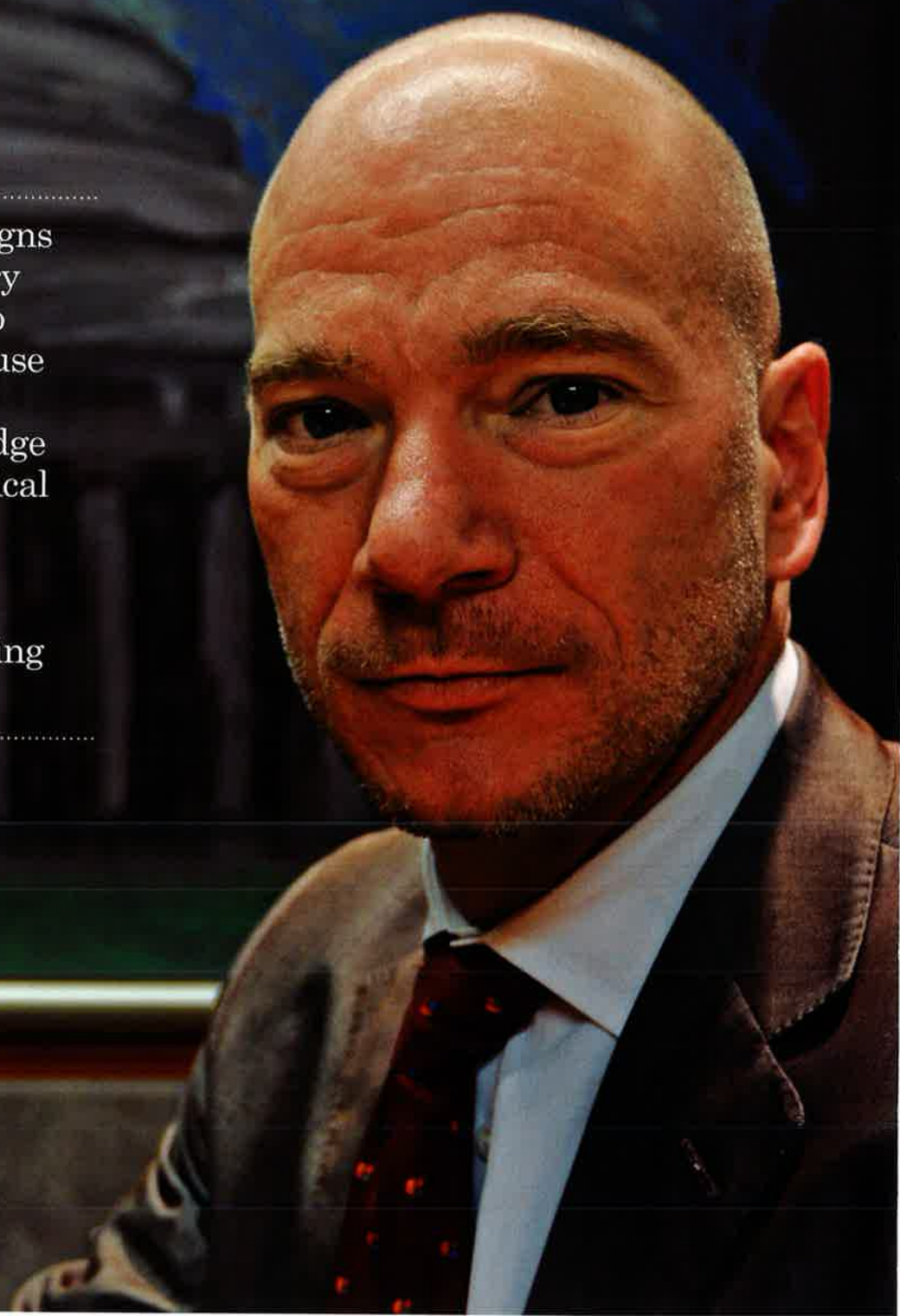


Barges on the Marne

Innovation is an ongoing corporate priority

ANDREW McAFEE, exclusive interview conducted by videoconference between Boston and Paris on April 28, 2010

.....
— From the first signs of economic recovery companies began to reinvest in IT because they understood their competitive edge rested in technological innovation.
The perspective of an American academic, specializing in Enterprise 2.0.
.....



Did the 2009 crisis bring to a standstill the pressure on companies to innovate?

Not at all. Technology spending has been one of the first parts of the economy to rebound as we come out of the crisis. In other words, companies are placing more faith in technology for innovation, devoting more of their capital investment and their yearly operational expense on technology.

We hear CIOs say they intend to continue cutting costs...

In the middle of the downturn, I heard such things. But the same CIOs also typically said that their business unit directors told them to be sure not to stop innovation and not to stop important projects.

As you said in a recent article, investing in IT helps organizations to acquire competitive edge.

Do you remember "IT Doesn't Matter," an article published in the *Harvard Business Review* in 2003 where the author, Nicholas G. Carr, made the very simple point that information technology is a good thing for a company to have: it not only improves productivity, but improves everyone's productivity to the same degree. It's a rising tide that floats all boats equally. So it's not through its IT that a company can stand out from its competitors. Now, when that article came out it attracted a lot of controversy, but it raised an important question: What's the evidence that IT is making a competitive difference? And it struck me that this was a testable hypothesis, that we have enough history with information technology, enough data about IT spending, and enough data about corporate performance. What some colleagues and I have done is to get some data on the IT spending of every industry in the United States, going back as far as the data goes—and the US Government started tracking IT data in about 1960.

What did you learn from this exercise?

There are basically two broad conclusions. The first is that the intensity or pace of competition in the United States started to increase in the middle of the 1990s—in other words, competition got a lot nastier. Companies no longer maintained their competitive lead for so long, there was more turbulence in company rankings, and more difference in performance—in areas such as ROA and profit margin—between high performing companies and low performing companies. It was also the time when companies and industries started to spend far more money on IT, not only because the PC revolution was underway, but the Internet also started to appear in the mid-1990s, along with large-scale commercial enterprise systems (ERP®). The second conclusion is that competition became the most intense in the industries that spent the most on information technology.

But what were the causes and impacts of being so IT-intensive?

You have to be careful. My conclusion is that the technology has contributed to the increased pace and intensity of competition over the past 15 years.

But how can companies make the most of IT?

First of all, they must believe in the power of technology to be willing to spend any time or money on technology projects. Now, if we concentrate only on companies that

are willing to spend time and energy on technology, again we notice a huge difference in their ability to execute technology projects well. Finally, our research revealed a big difference in the insight companies have into their own business and how technology can change it. Some companies take a long hard look at the way they're doing business, their business model, their revenue model, their low-level business processes and how they're configured to go to market—but not all.

What advice would you give to CEOs?

Deploy, innovate and propagate. They must, first, deploy technology infrastructure that is probably more standardized and consistent than their present one; second, innovate, which is think about how you can do business differently using the new possibilities that technology opens up; and third, once you have an idea about how to do business better, your responsibility as a leader of the organization is to propagate that idea as widely as possible.

Can you give a few examples?

Let me give you two examples. Otis Elevator's broader set of changes encompassed a workflow enabling employees to approve and initiate shipments from the factories for just-in-time delivery and its gradual transformation into a service company. The time between delivery and assembly of the elevators has thus been reduced. And there is another example. Los Grobo, an Argentinian soybean-producing company, switched from buying more land for planting more crops to a policy of building a network organization of farmer proprietors by using technology to increase control while decreasing ownership. This profound transformation in companies would simply not have been possible without the new communication technologies.

But these companies operate in product industries...

That's true. But we all know there are many very important industries where the product doesn't have any physical representation, where it's an information product. I am thinking of software, financial services and so on. Technology encourages the development of new services.

In 15 years, the US industry has become increasingly more IT-intensive. Is this trend likely to continue?

It's absolutely fascinating. Between 1995 and 2008, the quantity of IT gear in the United States increased by a factor of 5.5. Is that going to continue? It certainly will because our computers continue to get so much better and faster over time. Currently, in the United States at least, we spend about a third of our corporate equipment budgets every year on IT, and that's up from less than 10% until the early 1980s. That's going to level off at some point. Where is it going to level off? I don't know. I would be surprised, actually, if in the future we spent half our equipment budget every year on IT.

How far do you think companies are prepared to invest in innovation?

I heard a great phrase a while back from a senior partner at a big consulting firm who said that none of his clients talk about strategy any more; they talk about innovation instead. This has become a fundamental goal for many companies.



What do you consider the most promising trends?

We are living in a world where there is a mass of data, which consists both of very highly structured information sitting in corporate databases, and this strange world of unstructured data, generated by web users, from all the social networks. We are quickly learning how to make use of both kinds of data, and how to generate business insight out of the huge ocean of data, which is difficult. Senior management teams from well run companies still make decisions primarily on experience, intuition and gut instead of rigorous, analytic testing of a hypothesis. But this intuitive aspect will probably decrease over time. Google economist and Berkeley Professor Hal Varian once said: *"Statistician is going to be the sexy job of the 21st century."*

And new methods of communication?

One other revolution is the revolution brought on by the technologies of Web 2.0. It's a phenomenon I call Enterprise 2.0, involving the use of new tools (wikis, blogs, Twitter or Facebook), bringing that same kind of energy into the company, and basically letting people self-organize a lot more than ever before. There is great power and benefit to self-organization. Wikipedia has no paid editors, and there is no central control for the World Wide Web, yet they deliver huge amounts of knowledge, information and value to all users.

What do you feel about cloud computing and the companies who are prepared to take the plunge?

The closest analogy that I can think of is the electrification of factories in the 20th century. Some 100 years ago, many factories generated power *in situ* with a steam turbine to drive all the machinery. Firstly, they replaced the steam turbine with an electric motor, a one-to-one substitution. Then they realized they could put that electric motor far away from the factory and, subsequently, turn over the work of generating electricity. So the "cloud provider" of a century ago was born. But it did not happen overnight and at every stage there was a lot of debate. The skeptics did not have a clear view of the electrification trend. As a result, some factories made some pretty bad choices, and stayed with configurations that became competitive handicaps. Something very similar is happening with cloud computing. People who debate the merits of the cloud are losing sight of the larger trend, namely that the benefits offered by the cloud are going to become overwhelming.

Do you think that the millennial generation will cause an upheaval in IT usage when they join the workforce?

This generation is causing profound technology changes. I can see how millennials use technology. Even in the middle of a very severe recession, some of these young people left their jobs primarily because they found they were so handicapped by the technologies they were asked to use at work. People of my generation, generation X, were basically taught that the right way to do your work is to do it in private, work on it with a small number of collaborators until it's ready for the world, perfect or at least good enough, and only then start talking about that work and sharing it with people. The big shift I see now is that younger workers are more comfortable doing a large part of their work, their thinking, in a very public way, and not waiting until they have a finished product to share.

If the millennials are much more open than the company itself, isn't this a problem?

Yes, it causes tension. The older people in the company are deeply focused on the risks and threats involved in being more open and more transparent. Now, the young people just see it as a natural way to work, and that the good greatly outweighs the bad stuff that can happen. Companies that can transition to this style of work in public will become more productive, innovative and agile.

At the same time, this is an era of standardization of products and services. Is the IT industry, like many others, taking the low cost route?

Yes is the short answer! IT products are becoming more standardized. All the technology components are dropping in price. In the era of the cloud, the same kinds of pressure are coming to software. So if the software vendors want to continue to grow their revenue, they've got to be very innovative. I think this will be easier for the service providers if they can become true partners with their clients, to help them predict the consequences of technological progress and take advantage of it.

Between standardization and innovation, which avenue should companies take?

One of the growing words is delight, which is not a word we generally use when talking about technology. But in the era of Web 2.0 or iPhone, we see over and over again that technology has the ability to give us things that add huge value to our lives, things that pleasantly surprise us. And the really clever companies are finding ways to combine industrial techniques with cutting-edge technology to provide seemingly very personalized service and, again, to delight the consumer.

Andrew McAfee, with a Ph.D. from Harvard and two MSc degrees from MIT, is Principal Research Scientist at the Center for Digital Business of the MIT Sloan School of Management and Fellow at Harvard's Berkman Center for Internet and Society. He also coined the term Enterprise 2.0 in 2006, in one of the many articles published on his blog (andrewmcafee.org/blog/), in the *Washington Post*, the *Financial Times*, etc. Andrew McAfee and Erik Brynjolfsson co-authored a widely published study entitled "Investing in the IT that makes the Competitive Difference", in the *Harvard Business Review* (2008).



Lazy summer afternoon

Insights and outlook

Lessons from 2009 and the road ahead—thoughts from some Group managers.

“

The launch, in the middle of the downturn, of our five global service lines (Business Information Management, Application Lifecycle Services, Testing Services, Infostructure Transformation Services and Smart Energy Solutions) has been a decisive step in building our future. These initiatives have contributed a great deal to the clarity of our offer and global presence. The positive response from the market and analysts to the announcement of our results for 2009 and the first quarter of 2010 is proof that we have taken the right measures and are heading in the right direction.

”



Henk BROEDERS
TS* Global Coordination



Stanislas COZON
Public Sector

“

The public sector environment is undergoing significant change. All western governments are facing similar budgetary challenges; and unsurprisingly, this is often being translated into reduced IT investment. The financial pressure is creating a need for new business models and industrializable offers. However, thanks to the agreements and signatures on major and often long-term contracts in 2009, we are well positioned to face the new challenges and maintain our momentum.

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“

2009 was a challenging year, particularly in Holland and Belgium, but we have emerged stronger. It is increasingly evident that delivering at a low cost is a given, and we are working with our Indian colleagues to develop and market re-useable solutions. Our priority for 2010 is growth, and innovation remains vital. We are hiring “hot” skills, leveraging the global service lines and unique solutions, all of which differentiate us. By building on our 2009 investments, we expect this growth will enable us to drive margin improvement.

”



Christine HODGSON
TS* Europe 1 (United Kingdom, Netherlands, Belgium)



Baru RAO
Capgemini India

“

Key measures were put in place to boost sales in 2009. We enforced the Country Boards with empowerment from senior group executives directly responsible for CMAs. We have dedicated teams developing and testing new pay-as-you-go service concepts with our clients. This was indispensable because these solutions will form an increasing part of our business in the future. As for alliances, in 2009 we enhanced our collaboration with our technology partners (IBM, Microsoft, Oracle, SAP, etc.) through a quarterly market review. This brings a “technology push” to our sales force to keep them up to date with the latest technology developments.

”



Olivier PICARD
Sales and Alliances

“

The year 2009 provided a unique opportunity to further strengthen three critical areas of our business. We have built centers of excellence in India in several sectors (manufacturing, retail, health care, the media and smart meters) that will be our unique differentiators. In 2009 we also upgraded our team’s technical expertise and improved our operational efficiency to sharpen our competitive edge.

”



Essaouira, the quayside (detail)



Trading in the port of Hoi-An, Vietnam



Growth drivers

— New challenges arising from an atypical climate have prompted the Group to develop an ambitious approach to spur growth. In adapting Capgemini's offer to changing demands, in fostering excellence in its teams and strengthening the Group's value chain, the Business as Unusual program meets this objective. But growth can be achieved in many other ways: emerging markets, new locations, targeted acquisitions and, above all, confidence in the future. Here, cloud computing has strong potential, as researcher Ken Birman attests.

Business as Unusual, targeting the upturn

— In 2009, Capgemini launched the Business as Unusual program to prepare for economic recovery. The results are positive for the first quarter of 2010.

7.1%

Forrester Research anticipates Outsourcing expenditure to rise by 7.1% in 2010.

Despite the current economic climate, organizations seem to be investing heavily in information technology. US market research firm Forrester Research forecasts an increase of 8.1% in global IT spending for 2010. For services, growth of 6.8% is expected for Consulting and Technology and 7.1% for Outsourcing. Clients are clearly keen to obtain innovative solutions at competitive prices. Against this background, in October 2009 Capgemini anticipated the upturn by launching Business as Unusual, a program centered on growth. Sales and delivery of five new global service lines (GSLs)—targeting the Group's high-potential growth segments—have been bundled under this program. The corresponding investment of €30 million will enable the Group to boost its bookings by €800 million in these segments from 2010. In addition to growth, Business as Unusual offers two other constituents: improvement of Group profitability through optimization of its overall organization (Lean approach) and enhancement of the value of Human Resources (Talented Company project).

The early success of Business as Unusual is tangible: *"Although our industry was affected quite late in the day by the global crisis, signs of renewed investment are already accumulating,"* emphasized Paul Hermelin, Group CEO, during his presentation of the 2010 first quarter results. *"Our five global service lines put us in an ideal position to get back on track and capitalize on the upturn anticipated*

for the second half of the year."

These results confirm the potential of Capgemini's five global service lines, which have already generated approximately one-third of the bookings, amounting to €2,073 million, taken in the first quarter.

In order of launch date, the five service lines are Business Information Management (BIM), Application Lifecycle Services (ALS), Testing Services, Infostructure Transformation Services (ITS) and Smart Energy Services (SES).

BUSINESS INFORMATION MANAGEMENT (BIM)

GOAL: to help companies manage the increasing volume and flows of information in order to generate maximum business insight.

GROUP ASSETS:

- overall vision of the information organization;
- technology expertise and independence;
- original methodology for analysis of clients' needs.

"Organizations are struggling to cope with and take advantage of the wealth of data available to them across their information systems and from diverse external sources," explains Paul Nannetti, head of the global BIM service line. *"Capgemini offers an original, holistic approach to creating an information-centric organization, dynamically learning and responding to insights filtered from this data deluge. Our freedom and agility in terms of technology also set us apart from many of our competitors,"* adds Paul Nannetti. The BIM practice has developed technology

In 2009, US market intelligence firm IDC forecasted that information technology will generate 5.8 million jobs and 75,000 companies by 2013 in the 52 countries studied in the survey. Knowing how to attract the best talent and make it grow are major goals in building a Talented Company, one of the components of the Business as Unusual program.

partnerships with leading vendors such as EMC, IBM, Informatica, Microsoft, Oracle, SAS Institute and Teradata. In addition to its technology investments, materialized with an array of product references, Capgemini uses in-house methodology—Intelligent Enterprise—to analyze its clients' needs, forecasted to rise in 2010. BIM brings business and technology stakeholders together to develop an aligned Enterprise Information strategy. Demand for these services is set to rise significantly in 2010, partly due to increased compliance regulations (as with Basel II in the banking industry) with regard to the conservation of data, but also due to the current drive for companies to make smarter, more profitable use of their enterprise data. US market research firm AMR forecasts that global spending on business intelligence and performance management in 2010 will reach US\$59.3 billion. Capgemini has over 4,000 people working for this service line, and is planning to increase the practice by 3,000 new recruits or transfers over the coming 18 months. A Center of Excellence with 1,000 specialists has been launched in India.

APPLICATION LIFECYCLE SERVICES (ALS)

GOAL: to maximize client application potential.

GROUP ASSETS:

- business know-how;
- numerous products;
- industrial capabilities;
- original methods for rationalizing applications.

Launched in December 2009, ALS helps clients to cut costs and gain in flexibility by handling their entire application lifecycles, from development to maintenance, including testing, integration and optimization. For this, the Group bundles the know-how and insights of two main disciplines, Technology Services and Outsourcing. *"Our clients have to cope with ever more complex application infrastructures, causing significant costs and lack of responsiveness,"* explains the head of Application Lifecycle Services, John Brahim. *"They're ready to outsource the management to an industrial partner who can rationalize their application landscape while optimizing the competitive edge of the business today and tomorrow."* Market expectations are high, especially in the telecommunications, manufacturing and public sectors. French research firm Pierre Audoin Consultants (PAC) estimates that global sales for maintenance alone are already €20 billion. This firm also forecasts that the average annual growth rate for the entire ALS market in Europe will reach 7.3% between 2009 and 2012, with

Initial success BIM attracts wide interest

— The number of BIM contracts signed are concrete proof that this global service line equates with market needs. Successes were obtained with organizations located both in Europe and in the United States. Major international and national clients included:

- > Dutch telecom operator KPN;
- > The Welsh Assembly Government in the United Kingdom;
- > The Dutch Ministry of Defense;
- > Swedish manufacturing groups SEB and Sandvik;
- > US seafood provider Bumble Bee;
- > Oil company Shell International Exploration & Production;
- > PostFinance financial services in Switzerland;
- > The State of Nevada.

particularly rapid expansion in banking and manufacturing. The ALS service line includes 15,000 Group employees, 10,000 of whom are in India. In addition, 5,000 consultants, engineers and managers will be trained to apply the methodology that Capgemini has successfully developed in numerous application outsourcing and technology contracts. Capgemini aims to lead this new segment. And to do so, an array of industrialized solutions is being developed to help clients shift from expensive one-off applications to standardized industrial strength services.

TESTING SERVICES

GOAL: to assure the quality of the software used by companies through optimizing the software testing process.

GROUP ASSETS:

- tried and trusted testing methodology;
- more than 500 worldwide product references;
- rapid mobilization of industrial capabilities.

In February 2010, Capgemini and its subsidiary Sogeti initiated the joint launch of a service line specializing in software testing and quality assurance. These combined services have met with growing demand from organizations, which are increasingly aware of their strong dependence on the quality of the applications they use and the products and services they provide. To avoid poor execution, slow test turnaround or excessive costs at this stage in the software lifecycle, they are relying more and more on testing specialists with proven methods and techniques.

59.3

billion US dollars
US market research firm AMR forecasts the aggregate IT performance and management markets will reach \$59.3bn in 2010.

7.3%

PAC anticipates that average annual growth for the overall ALS market in Europe will reach 7.3% between 2009 and 2012, with a strong upsurge in the banking and manufacturing activity.

11.2

billion US dollars
The analyst
and advisory
firm NelsonHall
forecasted, in 2009,
that the software
testing market would
attain \$11.2 billion
by 2013.

75%

"Our clients
devote 75% of
their IT budgets
to maintenance.
The aim is not
just to keep their
applications in
working order but to
improve them. So
we launched ALS
to respond to this
particular demand,"
says Paul Hermelin,
Capgemini CEO.

According to a study by PAC, the global market for software testing services will grow by 10% annually over the next few years. Another study, conducted in 2009 by US research and analysis firm NelsonHall, estimated that this market will reach US\$11.2 billion by 2013.

Capgemini and Sogeti have already signed agreements with more than 500 major international organizations to implement Sogeti's end-to-end Test Management Approach (TMap@Next), and have also entered into partnerships with the main software vendors, HP, IBM and Microsoft. By combining their strengths, Capgemini and Sogeti can offer clients more than 6,400 testing professionals, including nearly 2,400 in the new business unit created in India. This capacity to mobilize expert resources rapidly and cost effectively, thanks to the Rightshore® global delivery model, puts the Group in an ideal position, as the head of Testing Services, Hans van Waayenburg, explains, "to help customers save a substantial amount of time and money when launching new solutions."

INFRASTRUCTURE TRANSFORMATION SERVICES (ITS)

GOAL: to rationalize organizations' IT infrastructures to help them prepare to migrate to cloud computing®.

GROUP ASSETS:

- capability of mobilizing all the Capgemini disciplines;
- partnership with major cloud providers;
- reputation for integrating cloud computing solutions.

Infrastructure Transformation Services, launched in early March 2010, helps public or private organizations speed up their journey to cloud computing and services.

The aim is (i) to help clients obtain sustainable reductions in their information technology and service costs and (ii) to bring new offers to market much more quickly than previously possible, all through new commercial, consumption-based delivery models.

To help Group clients plan their relevant cloud roadmap, the ITS line includes four distinct offerings (including all Group service lines), as follows:

1. Data Center Optimization: consolidating and upgrading physical facilities, updating servers and storage systems, and rationalizing applications portfolios (with techniques such as WARP1) help to cut total cost of ownership, remove overcapacity and redundancy, and significantly improve carbon footprint.
2. Virtualization: converting assets (servers/storage, data/applications) into virtual environments to improve server utilization, providing for remote management and new

levels of business agility while ultimately reducing cost.

3. Unified Communications and Collaboration (UCC): accelerating and improving the interaction of an organization's information flows across the increasing variety of communication platforms accessible to employees, partners and customers.

4. Cloud Computing and Services: extending the virtual environment to cloud-based solutions providing a consumption-based model for (i) computing and storage (as part of an outsourcing contract, for example) and (ii) legacy and new build applications and, increasingly, software integrated into BPO services; all these services can be accessed remotely. "Chief information officers are under pressure to deliver cost savings while providing value for money, growth opportunities and differentiation. 'Cloud' is a disruption that will help many but the key to early success is working out what is real and relevant for the business," explains the head of ITS, David Boulter.

By working with cloud computing service providers such as Amazon Web Services and an emerging ecosystem of niche SaaS players, Capgemini has established a reputation as a leading assembler of cloud services solutions, helping many organizations to save money and, importantly, differentiate themselves.

SMART ENERGY SERVICES (SES)

GOAL: to help companies in the utilities sector to face the numerous challenges of smart management of energy.

GROUP ASSETS:

- extensive knowledge of the sector;
- smart meter and smart grid solutions;
- products in North America and in Europe;
- dense network of technology partners.

Launched in March 2010, the Smart Energy Services line is the last in the Group's series of five strategic offerings to be rolled out through the Business as Unusual program. It targets energy suppliers and distributors, in particular. Capgemini is prepared to guide these utility companies through the transformation of their operations to deploy more intelligent meters and grids. This market represents approximately 800 million terminals for renewal over the next ten years.

Companies in this sector have had to face considerable shifts in consumers' energy demands due to climate change and regulatory pressure. They will have to transform their production models to improve their reactivity, reduce their CO₂ emissions and offer



Pointe de l'Aiguillon, Arcachon

800

million terminals
Capgemini aims to
help energy suppliers
and distributors
renovate their
infrastructure:
to put in place
intelligent meters
and grids, a potential
market of 800 million
terminals to be
renovated within the
next ten years.

their customers a wider range of services, especially for curbing consumption. Since 2005, Capgemini has provided the support required for smart meters and smart grid implementation to some 20 customers in North America and Europe. SES leader Perry Stoneman notes: *"To reduce the risks associated with these major transformations, more and more utility companies in the energy industry are leaning on longstanding, reliable partners."* Capgemini's extensive network of technology partners, most of which are founding members of the Smart Energy Alliance (SEA), and the Group's involvement in establishing interoperability standards for these new systems, justify this trust.

STEPPED UP PRODUCTIVITY

Return to growth goes hand in hand with increasing Group profitability. *"We are continuing to improve our cost-effectiveness and we have launched an in-house project on Lean or intelligent, low-resource management,"* said Paul Hermelin, in an interview with French daily paper *Les Échos* in March 2010.

The lean management approach enables any waste to be identified and eliminated and more efficient working methodology to be developed through the intelligent standardization of processes. This implies improved collaboration between onshore and offshore teams, simplification of data input (and thus saving time, by avoiding duplication of transactions in different systems), improvement of pre-sales processes, etc. In 2010, 3,000 positions were reviewed and optimized throughout the Group. Further, six pilot schemes for the management of a certain number of clients and offers, BPO and applications management have already been launched, generating real gains in productivity.

The experience of Capgemini Consulting, which has implemented lean management with many clients, is used to step up deployment of this method within the Group. According to Nicolas Dufourcq, Group Deputy General Manager and CFO in charge of rolling out the Lean program in-house: *"Capgemini wishes to design and develop what the organization of an IT services company should look like over the next 10 years. We have to tackle this problem by adopting this approach ourselves so that we implement in our own company what we recommend to the clients to whom we sell this approach."*

KNOWING HOW TO RECRUIT NEW TALENT

The successful roll-out of the program and its five service lines is underpinned by the full support of Capgemini team members. So the Group has to rally all its talent (see pages 66–67, *"New exchange dynamics"*) and must continue to attract the best talent, notably for the service lines stemming from new technologies such as BIM and ITS. *"We must become a Talented Company that fosters excellence, attracts the best talent and makes full use of the its employees' potential, on the strength of its exemplary management and proven performance culture,"* explained Paul Hermelin during his presentation of the Business as Unusual program.

Recruitment capability is another major Group issue. It is essential for creating skills centers such as those dedicated to BIM and Testing services. These centers respond to the needs of clients using the Group's Rightshore® delivery model. *"We are recruiting massively in India,"* said Paul Hermelin in early May during an interview with *boursier.com*. *"We intend to recruit 3,500 employees for the second quarter alone."*

⑥ Term, abbreviation or acronym explained in the Glossary (see inside right flap, at the end of the document)



Saint-Florent Cap Corse, Corsica



Oyster farmer's hut, Pointe de l'Aiguillon

Worldwide growth and proximity

— To ensure growth, Capgemini is developing its presence across the world, notably in China, India and Brazil, the new economic giants. All the while, continuing to strengthen its longstanding intimacy with local clients.

"Thanks to offshore and innovation, coupled with a successful change of image reflecting its shift from being a European to a global, multicultural player," Capgemini has all the assets in hand to play a leading role in the worldwide IT services market, according to US market research firm IDC. Capgemini is present in some 30 countries. Although four of these regions (France, United Kingdom, North America and Benelux) produce 81.1% of Group revenues and Asia-Pacific just 1.6%, the latter posted growth in revenues of 6.7% (at current rate and perimeter) in 2009, at the height of the crisis. Growth potential in this part of the world, the most dynamic in economic terms, is therefore skyrocketing. The same is true of Latin America, and Brazil in particular, where GDP is expected to rise by 5.5%–6.5% in 2010, and by 4.5% in 2011, according to Brazilian Ministry of Finance analyst forecasts, published in May 2009.

In order to benefit from the world's new economic landscape and to serve its western clients, who are developing fast in these regions, Capgemini has a wide array of business line and sector expertise. These assets have helped to reap success in China, in the energy (oil and nuclear), manufacturing, retail and distribution sectors whereas in India the Group is positioned in the public sector, with the national program for a biometric identity card, for example. But growth is not restricted to Asia. In the United States, financial services are beginning to invest again in information technology, and strong

opportunities are arising in the health and public sectors. In Europe, the United Kingdom is still a booming market, again in the public sector, in particular.

A targeted acquisition policy is another growth lever. The Group has established a base in Vietnam and boosted its presence in Australia in the testing segment, which is forecasted to grow worldwide by 10% annually in the coming years, according to French analysis and advisory firm Pierre Audoin Consultants (PAC). This policy continued into 2010, first with the acquisition of Swedish procurement and SaaS provider IBX. The Group then concluded the buy-out of British IT services firm Strategic Systems Solutions, specializing in financial services and established in China, Singapore and the Philippines. In addition to acquisitions, new Capgemini Consulting offices, opened in China (Shanghai) and in the Middle East (Dubai), will enable the Group to spread its geographical coverage. In Outsourcing, Romania has been added on to the global delivery map to better serve European clients. At Group level, production channels have been strengthened thanks to renewed recruitment in early 2010, particularly in India, which is now the top country in terms of headcount. In addition to its 2,686 recruitments in the first quarter of 2010, 3,500 further recruits have been forecasted for the second quarter in this country.



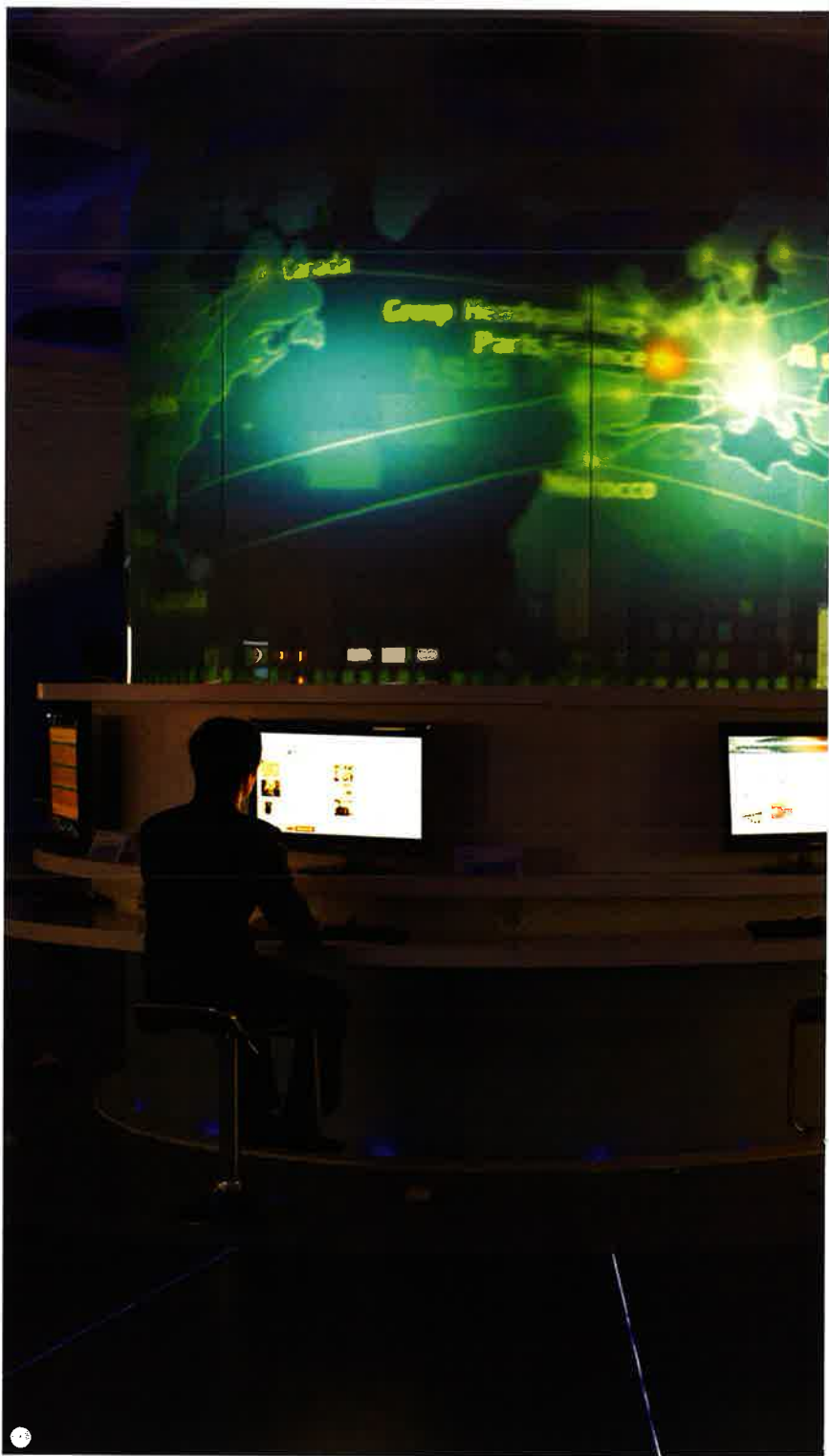


中国寰球工程公司

CHINA HUANQIU CONTRACTING & ENGINEERING CORP.

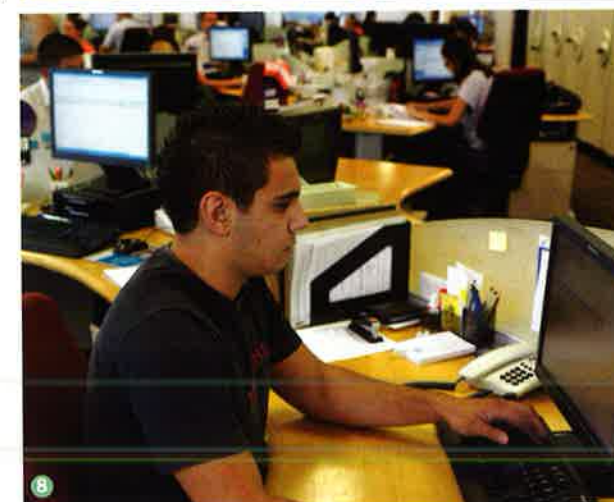


- ① China Resources, a leading conglomerate in China whose businesses touch every facet of people's lives covering retail, power, breweries, real estate, food, medicine, textiles, chemical products, gas, compressors etc., has selected Capgemini to implement its HR project, including a business intelligence application. A BIM® service line, under the Business as Unusual® program, is built into the project.
- ② In 2009, Syngenta, one of the world's leading agricultural seed and plant protection providers, has extended its BPO® contract with Capgemini for seven years, covering 50 countries across the world.
- ③ The Sogeti India teams are among the 3,000 specialists who launched the Testing Services line with Capgemini.
- ④ CNPC, the leading producer and supplier of oil and gas in China, has selected the Group to implement SAP ERP® software throughout its business units. The contract, amounting to some €15 million, is spread over a period of three years and will mobilize some 100 Capgemini employees in Beijing.
- ⑤ The Vietnamese subsidiary of French retail company Casino has chosen the Group to maintain and develop its applications portfolio. This project uses the ALS® service line under the Business as Unusual program.
- ⑥ Capgemini was selected by French insurance company Groupama for the development and maintenance of the accounting software of its Vietnamese subsidiary.



- 1 US sportswear giant Nike is establishing a logistics center for the Chinese market. Capgemini Consulting is helping with the program management, the overall design of this sustainable facility as well as with the business and operational processes.
- 2 Maxeda, the Dutch retail group has renewed its confidence in Capgemini by signing a €44m contract extension for infrastructure and application outsourcing. These services will be provided by the Group's Dutch and Indian centers.
- 3 With 2,686 recruitments in India in the first quarter of 2010, 3,500 further recruits have been forecasted for the second quarter. The Financial Services center in Pune is pictured here.

- 4 The Solution Center in Capgemini's new building in Shanghai was partly co-designed with Oracle. This presents the Group's vision of the latest technology developments.
- 5 The joint venture between US automotive company GM and its Chinese partner Shanghai Automotive Industry Corporation uses Capgemini's Consulting and Technology Services to develop customer relationship management tools with embedded Oracle Siebel software.
- 6 The China Guangdong Nuclear Power Company, operating nuclear generating units, has partnered with Capgemini for some three years on ERP and BRP projects, currently for phase three of its HR information system.



-  The telecom equipment manufacturer Alcatel-Lucent Shanghai Bell has selected Capgemini for a four-year business intelligence project. This contract, within the BIM global service line, involves 50 Group Outsourcing and Technology Services employees.
-  The Group has acquired Unilever's shared service centers, which process financial activities, in Africa, Asia, the Middle East and Latin America, from which BPO® services are delivered to the Anglo-Dutch consumer product giant.

Insights and outlook

Lessons from 2009 and the road ahead—thoughts from some Group managers.



Bo CHEN
Capgemini China

“China weathered 2009 relatively well, as its 8.7% growth indicates. In our business, sustained demand for consulting and technology services was coupled with clear signs of outsourcing appetite. Clients value our wide range of proposals and end-to-end service value. We will continue to strengthen our teams, capabilities and offerings to give proof of our impact on the market. We should not forget that sales is about delivery and delivery brings sales.”



Cyril GARCIA
Strategy and Transformation

“During this year of downturn, many clients have opened the door to discuss post-crisis issues. They have confirmed two points: first, their willingness to invest in technology with the upturn in sight, and, second, confirmation of their desire to count on our support. This proximity is evidently the best possible strategy to prepare for the upturn in 2010. For this purpose, we are positioned in both major and “niche” projects.”

“

In the Telecom, Media & Entertainment Sector, IT is disrupting old business models. Public Switched Telephone Networks are being replaced by wireless, broadband IP networks. The ability to distribute music and movies is creating a revolution for the media and entertainment industries. Capgemini has the talent and solutions required for this historic transformation. TME India plays a pivotal role as a Competency Center for TME-specific domains. BIM and Testing service lines have dedicated factories to reuse TME industry knowledge for specific solutions.

”



Greg JACOBSEN
Telecom, Media & Entertainment



Luc-François SALVADOR
Local Professional Services (Sogeti)

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2009 was certainly one of the most difficult years I have experienced in my career. But I am proud to say that Sogeti showed it was an agile and reactive company. We were not only able to protect our profitability by reducing our operating costs but also to demonstrate to our clients that we were immense assets in helping them weather the storm. Our objective for 2010 is to strengthen client proximity, which is invaluable in what we hope to be a new growth era.

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Technology is back in 2010 as a game changer able to create differentiation. Our five global service lines deliver exactly what our clients are looking for: adoption of smart technology such as smart metering; new abilities to use the resulting data through Business Information Management; an infostructure to support delivering capabilities in a radically different way as ‘services’ from clouds; and the ability to test the resulting environment. Business as Unusual is a win-win solution!

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Andy MULHOLLAND
Technology Innovation

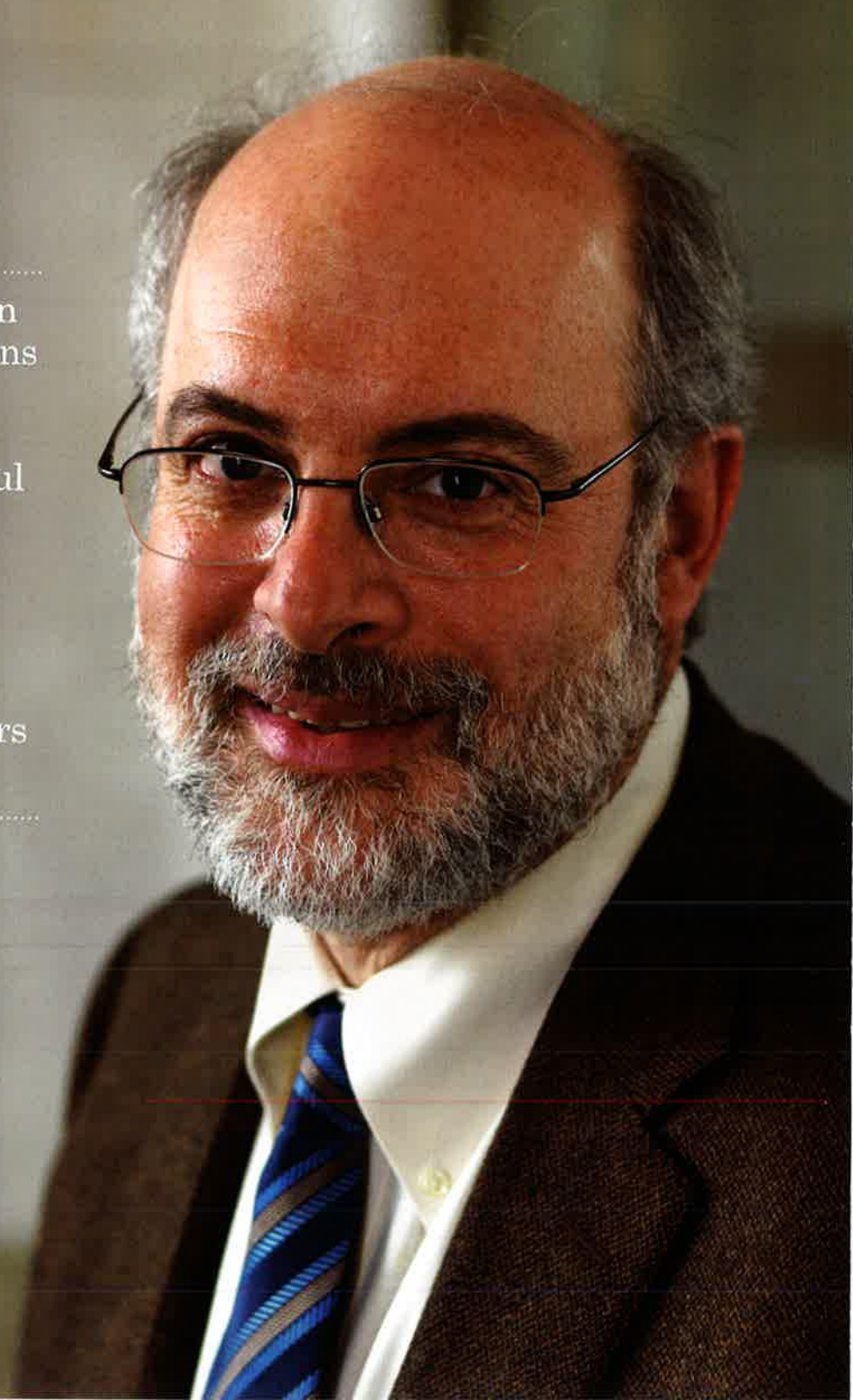


A break at Camaret-sur-Mer during the Tour de France sailing race

We're still in the early days for cloud computing...

KEN BIRMAN, an exclusive interview, conducted in Athens on March 27, 2010

— A wave of innovation will enable organizations to add capabilities and save money by leveraging this powerful new technology. But before the cloud can be trusted for mission-critical uses, tough challenges must be overcome by researchers and service providers.



The world was plunged into deep crisis by the financial sector. Could the information technology industry spark an upturn?

Everything I've read suggests that the technology sector is leading a recovery from the recent economic crisis. The evidence ranges from the strong sales of products like iPads and Kindles to the impressive profits of companies like Intel, Cisco and Microsoft. But what excites me most is the potential I see as we look ahead. Cloud computing is enabling companies to virtualize and externalize their data, giving them efficiencies and flexibility in running their IT systems, and making it possible to deploy new services cheaply. This is a tremendous opportunity and I think it could ultimately dwarf the web revolution. However, sophistication is needed because, in some ways, cloud technology is just not ready yet. The balancing act is to move aggressively but prudently as this exciting technology evolves.

How do you see this wave of new technologies developing in the near future?

I anticipate all sorts of advances in areas associated with the cloud, and the Internet as a whole—a basic transformation in the ways that many corporations operate. Today we think of TCP/IP as the bricks and mortar of the Internet, but the protocol of the future will be HTTP, the web services protocol used in cloud computing applications. The Internet and the cloud computing systems that talk to client platforms are evolving at stunning speed, and this is reshaping everything: hardware, software, even the way we think about IT applications. I don't think we've seen anything so sweeping since the client-server revolution in the 1980s!

So do you think that corporations should already be shifting as much of their IT infrastructure as possible to the cloud?

Technology revolutions take time to mature. Today, one focus for innovation involves the capabilities of the Internet itself, both in terms of speed but also reliability, and in the ways that the network functions with the cloud. In some sense the network is becoming a projection of the cloud, hosting content, playing roles in routing requests but also voice traffic and other media, and even performing some cloud functions directly, for example to support applications on small mobile devices. Simultaneously, we're seeing a second wave of innovation within the cloud itself, as providers discover ways to leverage cloud computing in support of all sorts of IT functionality.

Is cost the main incentive?

Even at this early stage, cloud computing already offers 10- to 20-fold reductions in the cost of administration, computing and storage, and the advantage could grow. The challenge is to seize this opportunity. If we think about the big, traditional corporate IT systems that do resource management, planning and fulfillment, handle customer relations systems—these are too complex to port quickly to the cloud model. One possible response is to build private clouds—to “virtualize” existing applications and host them on an in-house cloud. But to get the full benefit one needs to learn new ways of computing that involve renting resources from Amazon

or another cloud provider, or rebuilding entire systems on a cloud platform like Microsoft Azure or Salesforce.com. That path offers much greater cost savings, but can require new ways of designing systems. So we've entered a period that challenges corporate planners with a wide range of choices and some compelling economic incentives, but the decisions aren't simple ones.

Can we be sure these trends will be successful?

The problem is that the area is changing so quickly. So it's easy to say that the Internet and cloud will evolve, but until the solutions are really in hand, how can we be sure that we'll solve all these hard problems? Nonetheless, I'm very optimistic.

What are the risks involved with cloud computing?

To me, the question centers on trust. Corporations manage all sorts of sensitive data, and we've learned to do this well. But as we displace sensitive, mission-critical applications into new settings, we need to trust new kinds of technologies that may not have the properties required. I'm not talking just about applications that keep credit card data, or that control power plants or weapons, run electric power grids, or operate hospitals and banks. This issue of sensitive data and critical computing also includes mundane things like e-mail and telephone services. As we look to the future, the concerns become even stronger. For example, to improve the quality of care (and of life) for an elderly person, we might develop computer systems that enable that person to live at home instead of in an assisted care facility. But suppose that the computing system of a small hospital with 1,000 of these home-care patients malfunctions, or the Internet fails. You could see very fragile individuals cut off from medical care. Meanwhile, cost is such a crucial parameter for many industries that it becomes almost impossible for governments not to think about shifting expensive activities such as healthcare into the cloud. So creating trustworthy cloud computing is, for me, the highest priority—and the lack of trust is the biggest risk today.

So trust is the key to success? By “trust,” do you mean security, or something more?

Here at Cornell, we do view security and privacy as central needs, but we also think about properties like high availability, data consistency, fault-tolerance, robustness against attack and rapid response. Sometimes these are in tension—today's cloud systems often relax consistency to guarantee quick response. To this we must add a further element: if data or applications run on third-party platforms, what happens if the cloud hosting company goes out of business, or changes pricing in an abrupt way, or suffers from reliability issues? For cloud computing to really succeed, we need to learn to create trusted applications that run on untrusted platforms.

But for Amazon, Microsoft, Google, Akamai and Salesforce, cloud computing is already a business reality!

Absolutely, and their solutions have been quite reliable—despite some very visible glitches. But keep in mind that all these companies have their own reasons for offering cloud resources cheaply, and their corporate strategies could shift. Still, with this caveat, cloud computing is certainly here



to stay, if for no other reason than that cloud computing is the right model for search, and search has been a tremendous success. Just the same, I think we're yet at Year 1 for cloud computing for large industries or banks, on account of their numerous obligations and the need to ensure the infrastructure and guarantee customer privacy and trading 24/7, if required. A bank cannot casually become dependent upon third-party systems. My guess is that some industries will end up building their own clouds, but it may be five years before that becomes common. Moreover, it takes some time to build, validate, gain confidence and gradually migrate applications. So we're still in the early days... Year 1 for cloud computing may be closer to 2015.

The increasingly connected world affects companies and their IT systems in particular. How will their processes utilize and make better use of the information collected than they do today?

One thing that excites me is the ability to replace inexact models with queries running directly on the underlying data. To give an example, consider the resource planning models used in ERP systems, or the pricing models used by banks. These are really approximations—mathematical equations we use to represent reality, because reality is too complicated to work with. But if the data itself can be captured, we can often dispense with the models and answer those questions with the full accuracy the data permits.

And what are the benefits of this kind of shift?

Earlier we talked about the financial crisis, so let me use that for an example. We all know that the root cause of the crisis was that banks were unable to compute the actual value of the complex mortgage-based derivatives they were trading. Those mortgages depend, ultimately, on the value of real-estate, and until recently, there was no easy way to pull up prices for properties on a house-by-house basis. So banks depended on models that estimated pricing for entire regions, and those models in some sense caused the financial meltdown. But today, we can obtain those house-by-house prices, as well as information about the credit worthiness of the owner. One could take one of those mortgage-backed securities and arrive at an accurate measure of their value and the risk, based on the real facts. If we had had that kind of data five years ago, we might have avoided the worldwide economic crisis. And this is just one example among many.

Globalization has rendered the economy increasingly complex, and the downturn has increased the need for regulation. What are the impacts on information systems?

Our governments are demanding transparency in the corporate decision process, and that implies much better record keeping. For instance, banks are now required to do quite a bit of record management and archiving to comply with the oversight regulations in Europe and in the United States. This vast array of records contains all sorts of information, e-mails, transactions, telephone call logs, and so on. It must be possible to access them during the correct period but impossible to access them subsequently, and only the right people should be authorized to do so. And they must be kept in a safe place. Such situations pose a mixture of legal, regulatory and technical challenges, and this is new for those of us who do IT research. We've always looked at problems through purely technical lenses; suddenly, we're facing problems that demand much more sophistication.

Surely such vast issues require a certain amount of cross-disciplinary action?

In the United States, one answer has been the NSF-funded TRUST science and technology consortium, which Cornell helped create in 2004, along with Berkeley, Stanford, Carnegie Mellon and Vanderbilt University. TRUST includes economists, lawyers and researchers from many disciplines in addition to those at the top of the field in security and reliability. We work as a team, and this lets us tackle the sorts of complicated challenges we see in settings like finance and health care.

What will be the role of the IT service provider in the next wave of innovations?

I think the opportunity is enormous, but also that it demands a special kind of sophistication. Cloud computing and the evolution of the Internet are changing the IT landscape and no corporation can afford to be left behind. Yet concerns about trust and privacy and worries about dependency on third-party providers are very real. We've seen a rush to cloud computing over the past decade, but more recently there is a growing awareness of the dangers. Under these conditions, corporations will need to work with IT partners who have the sophistication to understand what works today, what will be possible tomorrow and how best to leverage these new capabilities with minimal risk. I'm certain that providers who justify the trust that their clients place in them will thrive in this new environment.

Ken Birman is the N. Rama Rao Professor of Computer Science at Cornell University (Ithaca, New York) and was the winner of the 2009 IEEE Kanai Award for his research in distributed systems. A leader in the field of cloud computing for more than two decades, software developed by Professor Birman has been used by the New York Stock Exchange and the French air traffic control system.

His publications include *Reliable Distributed Systems: Technologies, Web Services and Applications* (Springer Verlag, 2005).



Conflans-Sainte-Honorine

Insights and outlook

Lessons from 2009 and the road ahead—thoughts from some Group managers.

“

I'm sure that at times 2009 felt like a year of survival for our clients: many had to make tactical choices, cancelling project investments, reducing the number of contractors and consultants. The upside of this is a renewed focus on value for money and sustained cost reduction. Cloud in all its forms (IaaS, PaaS and SaaS) is an exciting opportunity and a part of the answer. From a systems integrator's perspective the challenge is to have the courage to cannibalize our legacy business.

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David BOULTER
Infrastructure Transformation
Services (ITS) -
Global Service Line



Pierre-Yves CROS
Consulting Services
(Capgemini Consulting)

“

Despite the unprecedented economic crisis, 2009 saw the continued transformation of Capgemini Consulting. We maintained operational discipline while driving our ambition of reinventing the global consulting business model. We armed our consultants with innovative tools such as enterprise social networks, which have transformed their interaction with each other and their clients. This transformation is an exciting platform to drive topline and growth in 2010.

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2009 was a tough year in the manufacturing sector, especially in industries such as automotive and construction. 2010 promises to bring moderate recovery, and while nobody would like to go back to 2009, many positive lessons were learnt, and we must now prepare for the future by changing the way we work. We can look forward to increased client spending, but in new areas. It's up to us to develop new products, new markets and new ways of working. Our job is to be our clients' partner into the future, now more than ever.

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Nick GILL
Manufacturing

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We have respected our commitments for 2009, regardless of project size or complexity. In the midst of the crisis, we demonstrated the reliability of our global delivery model Rightshore®, which has been constantly enhanced over the last six years. In 2010 we are pursuing our targets in terms of quality improvement and cost cutting, for an increasingly demanding market. And we have successfully completed the pilot stage of the ongoing productivity improvement program Lean, to be rolled out from this year.

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François HUCHER
Delivery, Methodologies
and Support



Patrick NICOLET
TS* Europe 2 (Nordic,
Central and Eastern Europe)

“

Collaboration across geographies and disciplines enabled us to better stave off the challenges presented during the downturn. By combining efforts we were able to optimize resources and adapt our services to the recession-driven business needs of our clients, namely cost containment and standardization. A solid foundation has now been established to benefit from fully renewed investment as market demand returns and clients are looking once again to invest in innovative, revenue-generating solutions.

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In 2009, we focused on training. To combine cost-effectiveness and deployment speed we developed seven times more e-learning production capabilities—some 3 million hours of training (up by 160% on 2008)—and produced our curricula in-house. A strengthening of our recruitment processes led to a 10.8% headcount growth offshore, while our people remain true recruitment ambassadors: according to an internal survey, some 71% would “recommend Capgemini as a place to work to a friend or a colleague.”

”



Jeremy ROFFE-VIDAL
Human Resources



Naoussa, reflections



Wooden house on the Chapitre, a branch of the Marne river



At the heart of exchange

— New employee shareholding schemes, innovative training, high-performance communication resources... its 90,000 employees are at the heart of Capgemini's development more than ever before. A Code of Business Ethics now puts into writing the Group's ethical commitments, a natural extension of its longstanding values, thereby reinforcing its corporate social responsibility policy. According to the analysis of British professor Jeremy Moon, today this is a true asset.

New exchange dynamics

—Capgemini has fostered employee shareholding and transformed its approach to training and to the sharing of knowledge. E-learning and social networks form the new backbone to the exchanging of know-how across the Group and with its clients.

CAPGEMINI UNIVERSITY: KEY CLIENTS ACTIVELY INVOLVED

Three major Group clients were invited to the Business Priority Weeks organized at Les Fontaines, Chantilly, near Paris: Canadian electricity company Hydro One (in March), British bank HSBC (in June) and Dutch Group Phillips (in September) took part in "One Team with our clients in the downturn".

FOR FURTHER INFORMATION,
VIEW THE ONLINE
FINANCIAL
REPORT PDF
pages 27 to 37

The dynamics of manager and employee commitment moved up a gear in 2009. *"Capgemini has always been concerned about sharing the fruits of its profitability and growth with its employees. Distribution of stock options began 20 years ago,"* recalls Alain Donzeaud, Group General Secretary. However, the legal, fiscal and accounting constraints involved in share-based incentives, and the stock options used in the Group, in particular, prompted Capgemini to redesign its approach to employee shareholding.

First of all, in early 2009, the Group started to design a worldwide profit sharing plan for the majority (98%) of its employees. As a result, 6 million new shares were subscribed by over 14,000 employees in 19 countries by the end of the year. The success of this first employee savings plan @ESOP (Employee Share Ownership Plan) means that today 4% of Group capital is held by employees, with the objective of ultimately doubling this percentage. This will entitle an employee representative to be elected to the Board of Directors. *"According to Creelia/CAAM®, which partnered with Capgemini for the plan, this constitutes the most important operation, as a percentage of share capital, in France. And in the future the Group intends to repeat this type of plan every two or three years,"* confirms Alain Donzeaud. The majority of these shareholders are from France, the United States, the United Kingdom and the Netherlands, with 10% of Indian employees and 7%

of Chinese employees also having subscribed, which amply illustrates the Group's multicultural character.

A FIRST FOR A CAC 40 COMPANY

Also, for the very first time, in 2009 the Group issued redeemable share subscription or purchase warrants, referred to as BSAAR (Bons de Souscription et/ou d'Acquisition d'Actions Remboursables), as an incentive for a restricted number of 1,200 Group Vice-Presidents to invest in the Group's long-term performance. *"This is the first ever issuance of BSAAR with no bond attached by a CAC 40® company,"* says Didier Duhem, Chairman of Europe Offering, BSAAR financial advisor to Capgemini.

In view of the turbulent economic climate in the first quarter of 2009, the outcome has been extremely positive: some 90 of the top 100 Group managers and more than half of the eligible population from 22 countries applied for BSAAR. It is to be noted that beneficiaries of the plan took the risk of paying for warrants entitling them to purchase shares at a fixed price after a period of four years. *"Our approach has been truly entrepreneurial. The success of the plan demonstrates a strong commitment from our management and its confidence in the Group's mid-term future,"* affirms Jeremy Roffe-Vidal, Group Director Human Resources. The employees themselves prove this point. Every year, Capgemini

Capgemini.com

Top Group media

— Current and future clients, shareholders, partners and employees have been able to access online information on the revamped Capgemini website, organized around user requirements, since the end of 2009.

Capgemini.com fosters exchange through blogs and pages that can be personalized. The heart of Capgemini's online communication is in the innovative website's user-friendliness. A mobile phone version was launched in 2010 with the same aim of making information easily available. Capgemini.com also enjoys close to 200,000 unique visitors per month who access a large amount of information on social networks and other Group community sections.

invites them all to participate in the Group Employee Survey. *"It is an opportunity, a vital channel for every person to make their voice heard and shape improvements in the way we operate our business,"* says Jeremy Roffe-Vidal. Participation in 2009 rose by 5 points compared with the 2008 survey, and reached 65%. The results of the survey reveal that employees' confidence in the Group, its ambitions and strategy remains high: 71% of employees would recommend Capgemini as a place to work to a friend or colleague. Likewise, reflecting the Group's client-centric organization, 89% feel their actions are aligned with the needs of their clients and 91% feel personally responsible for client satisfaction. Another important indicator of engagement and employee satisfaction is that 83% feel their manager treats them with respect and 73% say that goals and tasks are clear.

KNOWLEDGE MANAGEMENT AND SOCIAL NETWORKS GENERATE NEW EXCHANGE DYNAMICS

One of the Group's fundamental principles with regard to Human Resources management is to foster collaboration. And effective communication requires efficient knowledge management.

The knowledge management approach encompasses both internal and external data, methods of sharing and access to information, and platforms, namely tools and technology for content to be

safely collated, stored and restored throughout the Group. In 2009, a KM 2.0 platform was gradually rolled out. *"Before that, we had a strictly documentary data base. Although it was fairly exhaustive, it was not used sufficiently,"* says Mark Standeven, Group Director Methods and Tools.

"The solution we have now rolled out means that connecting people is as important as collecting documents. The function we have added to KM 2.0 has enabled both the development of social networks via communities, involving discussion forums and wikis, and the creation of a blog for sharing experience." The number of users has quintupled as a result of this initiative. More than 23,000 unique visitors per month and four communities a day have been developed thanks to KM 2.0. *"The idea is to have a knowledge management resource, and social networks in the medium term that are both shared by the entire Group and capable of integrating external flows of information such as micro-blogging which can be personalized according to users' needs,"* specifies Mark Standeven.

This initiative was rounded off with the expansion of the Group's social networks. According to English communications firm Burson-Marsteller's survey conducted in early 2010, 79% of multinational corporations use at least one social network (Twitter, Facebook, company blog, YouTube, etc.). Why encourage this

@ESOP

— Under this employee savings plan, 14,000 employees have subscribed 6 million new Capgemini shares. Some 4% of the Group's capital is therefore held by the Group employees.



22 MILLION

is the number of viewings of Talent platform, the Group's intranet, which provide local and global news and information.

CONNECT

— Capgemini Consulting formed its collaborative platform Connect on the basis of the BlueKiwi solution. It provides rapid access to information thanks to its Web 2.0 functions (blogs, wikis, comments, micro-blogging etc.) so that employees can find the appropriate data for helping to prepare their project. It is also an induction resource for new employees.

type of environment within the Capgemini Group? Patrick Stelmaszyk, Capgemini Consulting Transformation Project Leader, in charge of the collaborative Connect platform, states: *"The aim is to develop opportunities for exchange, to allow communities to emerge that can generate and share ideas, and to pinpoint specialists who can help us deliver a particular project and/or be more efficient upstream, at the pre-sales stage."* The first knowledge management systems enabled access to documents only; facilities for communication between communities were introduced subsequently. The human aspect has become fundamental to the network. *"This approach enables each and everyone to expand their networks—often limited to their near environment—to other professionals, with no hindrance from geographical or hierarchical barriers, and to link our ecosystem to our subcontractors and clients,"* adds Patrick Stelmaszyk.

Sogeti, for its part, has created a collaborative platform called TeamPark, made available to 20,000 employees in 14 countries. TeamPark offers remote collaboration and knowledge-sharing tools encompassing technologies, services and clients. The new portal provides services such as personal profiles, communities (more than 300 already created), blogs, wikis, discussion forums, and the opportunity to share files and activities. *"We intend to open our platform to clients and partners by the end of 2010,"* emphasizes Didier Coffin, Sogeti Chief Information Officer.

The Group's employees also use a Yammer platform (the corporate equivalent of Twitter for micro-blogging), increasingly successful since 2008, with 7,000 members to date. *"By breaking down geographical and hierarchical boundaries, Yammer makes permanent collaboration easier, and saves large numbers of e-mails,"* according to Rick Mans, Group Social Media expert. The in-house expertise acquired with its own social networks will soon enrich the Capgemini offering. *"Clients are interested in our know-how because they are under pressure to adopt this type of approach in their own organizations. So, thanks to our experience, we can now host them for a pilot project. But, above all, we can support them in rolling out their own solutions,"* explains Patrick Stelmaszyk.

The central thrust of Capgemini's internal communications policy is therefore to develop collaborative practices associated with knowledge sharing.

The 2009 Global Employee Survey reveals that employee satisfaction levels with regard to Group communications resources, methodology, infrastructures and information systems has risen by two points to 58%, from 56% in 2008. Frequency of use has intensified. For example, Talent, the Group news and information intranet site, regularly consulted by some 34,000 employees, posted 3 million viewings in 2009 (+20% in one year). Likewise, use of local intranets, hosted on the Talent platform, has escalated, with 22 million viewings in 2009, namely +76% compared with 2008. Social networks in the company should, accordingly, follow the same upward trend.

SUCCESS IN VIRTUAL MODE

Skills development is, more than ever, a priority for Capgemini. The figures speak for themselves. Key to the process is Capgemini University, which saw spectacular development in 2009, with the prioritization of virtual learning. In 2009, a total of 35,529 participants (compared with 13,540 in 2008, i.e., +162%) attended University training thanks to a radical shift in its delivery model; while 2,700 (–54%) attended courses at Les Fontaines, Chantilly (near Paris, France), Chicago (USA), and Hyderabad (India) at our central delivery facilities, 3,800 took courses locally in 16 countries (+2.5%) and more than 29,000 attended virtual classes (+583%).

Virtual delivery is based on e-learning and interactive sessions in "virtual classrooms," both delivered over the Internet directly by facilitators. The University trains them specifically for these new methods, and the overall participant satisfaction rate is 4 out of 5. Classes held in virtual mode represented 26% of the training hours posted by the University in 2009, compared with only 3% in 2008. For example, a record 4,000 employees followed the e-learning module on TechnoVision® over a period of nine months. The success of training in virtual mode rests on three factors: *"First, the content of the e-learning modules is closely aligned with our business priorities,"* explains Steven Smith, Director of Capgemini University. *"Secondly, we benefit from hundreds of training facilitators from the Group to deliver virtually. Lastly, we make use of the latest technology by using an LMS® platform to deliver e-learning modules in the form of videos, quizzes, simulations and more."*

TRAINING ALIGNED TO CAPGEMINI DISCIPLINES

Capgemini University training courses respond to commercial and business concerns. *"The main purpose is to continue strengthening the ties between the University, team members and Group disciplines in order to optimize the return on investment in training,"* explains Steven Smith. Ten key programs delivered in 2009, such as Selling in the Downturn and International Business Solutions focusing on client priorities, prove this point.

In 2009, the University welcomed some high-profile clients, such as Canadian electricity company Hydro One, British bank HSBC and Dutch group Philips, to the Business Priority Weeks (BPW)® on the theme of collaboration between Capgemini and its clients in times of crisis. *"Our open, transparent and mutually beneficial partnership will allow HSBC and Capgemini to continue working closely together,"* stated David A. J. Smith, HSBC CEO and Global Head, HSBC Global Technology. Some 2,000 people attended key plenary BPW sessions broadcast live, linking participants in Les Fontaines, Chicago and Hyderabad. What better proof of the Group's global dimension and permanent interaction with its clients?

THREE ASPECTS OF CAPGEMINI UNIVERSITY



- 1 Three University centers: Les Fontaines in Chantilly near Paris (pictured here), Chicago and Hyderabad in India welcomed some 2,700 employees for training in 2009.
- 2 More than 4,000 employees followed e-learning modules devoted to TechnoVision®.
- 3 More than 21,000 hours of training were delivered in virtual classrooms, right from the first year.

® Term, abbreviation or acronym explained in the Glossary (see inside right flap, at the end of the document)

Ethics and CSR: the Group's commitments

— Since its inception, the Capgemini Group has placed ethics at the heart of its development. These principles have now been set down in writing in an ambitious program, strengthening the Group's commitment to Corporate Social Responsibility and Sustainability.

OUR CODE OF BUSINESS ETHICS IN 13 LANGUAGES

A long-term Ethics & Compliance program was defined in 2009. Stage 1 comprises the distribution of Capgemini's Code of Business Ethics to all Group employees, regardless of their country of origin.



"Over the last 43 years, we have built the Group's reputation on seven core values. These values, which we are still expected to adhere to today, have played a decisive role in forging the Group's identity," states Paul Hermelin, Group Chief Executive Officer.

These principles have now been set down in writing in an ambitious Ethics & Compliance Program. The program, managed by Hervé Canneva, Group Ethics and Compliance Officer, aims to formalize the existing ethics asset base. Capgemini embarked on this ambitious project in 2009, developed with the input of 1,000 managers and a network of 23 leaders of different nationalities. Its objectives are manifold: to strengthen and harmonize the common ethical culture of some 30 countries where the Group is established; to share the same values, rules and principles; and to raise awareness among clients of the standards of ethics, compliance and social responsibility set by Capgemini.

The first stage in this program was to design and distribute Capgemini's Code of Business Ethics, translated into 13 languages, for release in the first half of 2010. Some 21 different topics likely to raise ethical questions are highlighted in the Code, whose clear principles, illustrated by case studies, enable appropriate behavior to be distinguished from inappropriate behavior in a given situation. Nonetheless, Capgemini's *Blue Book*, first published in 1989, is the Group's reference manual

containing the overarching policies, procedures and guidelines governing the Group's daily operation. The Code of Business Ethics sits at the heart of the Group's Blue Book.

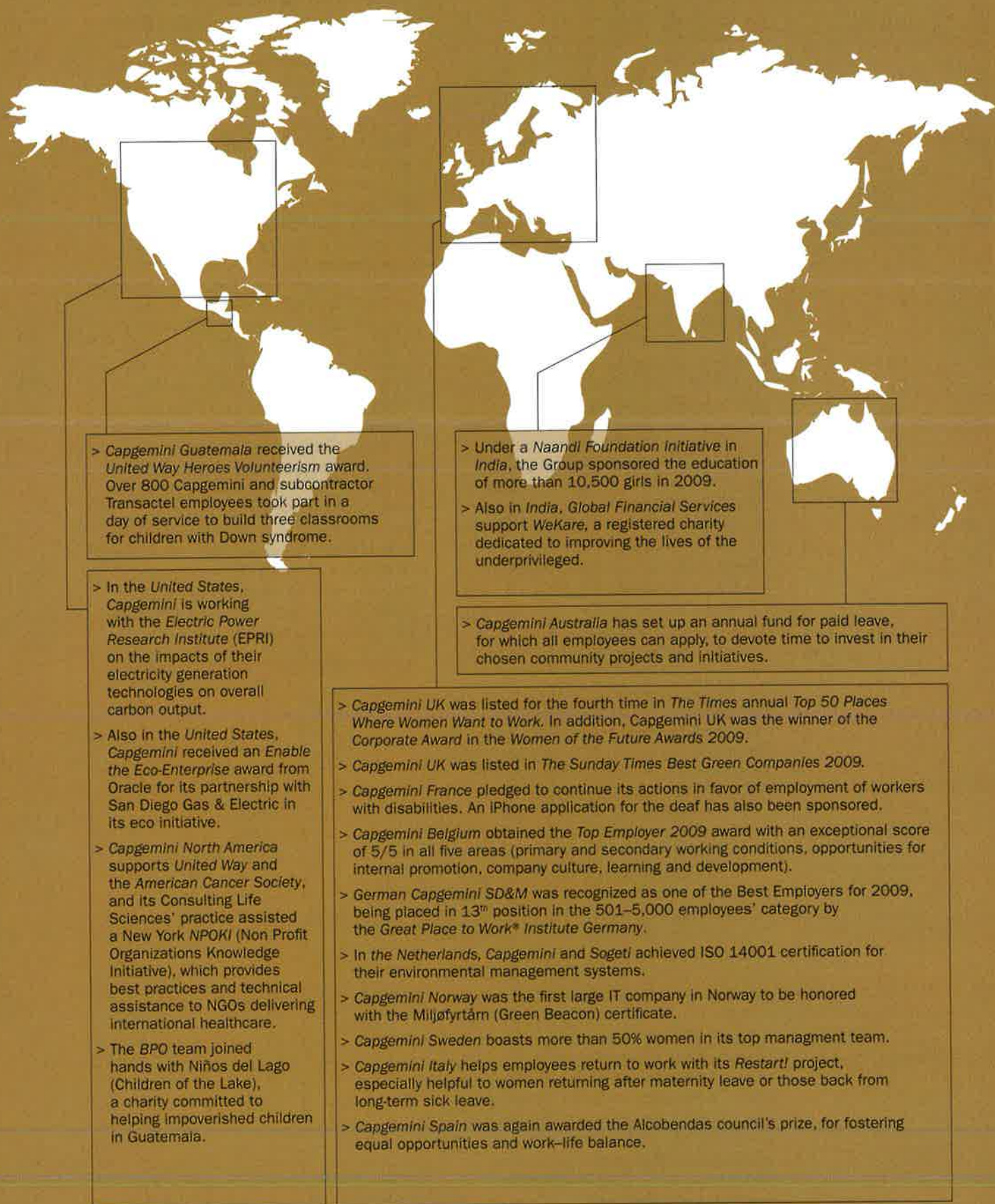
CLEAR PRINCIPLES AND CONCRETE RESPONSES

All the Group's activities acquire new value when this commitment is put into practice. For example, in the finance department: *"The 1,500 members of the Group's financial management community have two missions,"* explains Nicolas Dufourcq, Group Deputy General Manager and Chief Financial Officer. *"The first is to guarantee that our financial information provides a true and fair view of the Group; as stewards of the truth, these professionals should not be influenced in any way. The second is to set an example for the whole of the Group's horizontal processes."*

A further example is given by the sales department: *"Growth, profitability and sustainability are the Group's primary objectives,"* asserts Olivier Picard, Group Director Sales and Alliances. *"We aim to strengthen compliance with sales processes through initiatives in two different fields: regulations in respect of antitrust and public sector tenders, and combating corruption."* The underlying added value for the Group, generated by its ethical standards, is also evident in Human Resources, where *"a key factor is the sharing of values and behavior as a counterpart to traditional instruments such as personal assessments, bonuses*

FOR FURTHER INFORMATION,
VIEW THE ONLINE
FINANCIAL
REPORT PDF
pages 23 to 43

— Selected awards and actions from across the Group in 2009



A DEFINITION OF CSR

The European Commission defines CSR as follows: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs."

SOGETI SUPPORTS MICROFINANCE

Sogeti has a longstanding partnership with PlaNet Finance, an international organization whose mission is to alleviate poverty through the development of microfinance. Sogeti has been managing the PlaNet Finance information system since 2005, hosting applications such as intranet, e-messaging and online training, and human resources services. In 2009, Sogeti sponsored the Microfinance Awards for the best micro-enterprises.

and career management," explains Alain Donzeaud, Group General Secretary. The will to provide the right responses to these ethical issues can be vital for the Group. As Philippe Grangeon, Group Marketing and Communications Director, points out: "A strongly ethical company will not be congratulated enough, but an unethical company will often be the first to bite the dust. The last few years have shown that a reputation can be ruined in just a few days. So it's a vital responsibility to ensure that team members take on board, share and respect the Code of Business Ethics."

HEIGHTENED DEMANDS IN TIMES OF CRISIS

CSR heads the list of CEO concerns because it contributes to organizational performance, gives value to employees at all levels, and serves the company image. CSR is no longer an obligation but, rather, creates opportunities, particularly in the face of crisis. The *Sustainability Initiative*, a study published by the MIT Sloan Management Review in September 2009, reveals that, despite the gloomy economic situation, 35% of companies have maintained and 25% have increased their initiatives for sustainable development. The Group's approach to CSR is a fundamental part of how it does business and its priorities are based on seven strategic pillars: Leadership, Values & Ethics, Our People, Clients, Communities, Suppliers & Business Partners and the Environment. The Group places high importance on employee health, safety and well-being and seeks to offer an environment that respects the work-life balance. Gender equality, women in top management positions and the position of women in the company as a whole naturally form an integral part of Capgemini's commitments. Action has likewise been undertaken in favor of people with disabilities, thus demonstrating the Group's respect for minorities and the battle against discrimination in the workplace. Moreover, the Group is highly attentive to civil society recommendations, especially in terms of equal opportunities and gender parity. In France, for example, Capgemini has signed the *Charte de la diversité*: companies signing this diversity charter aim to ban discrimination in the workplace and actively foster diversity. The Group also has a long tradition of working with various community organization: its priorities are to support education, diversity and the eradication of poverty.

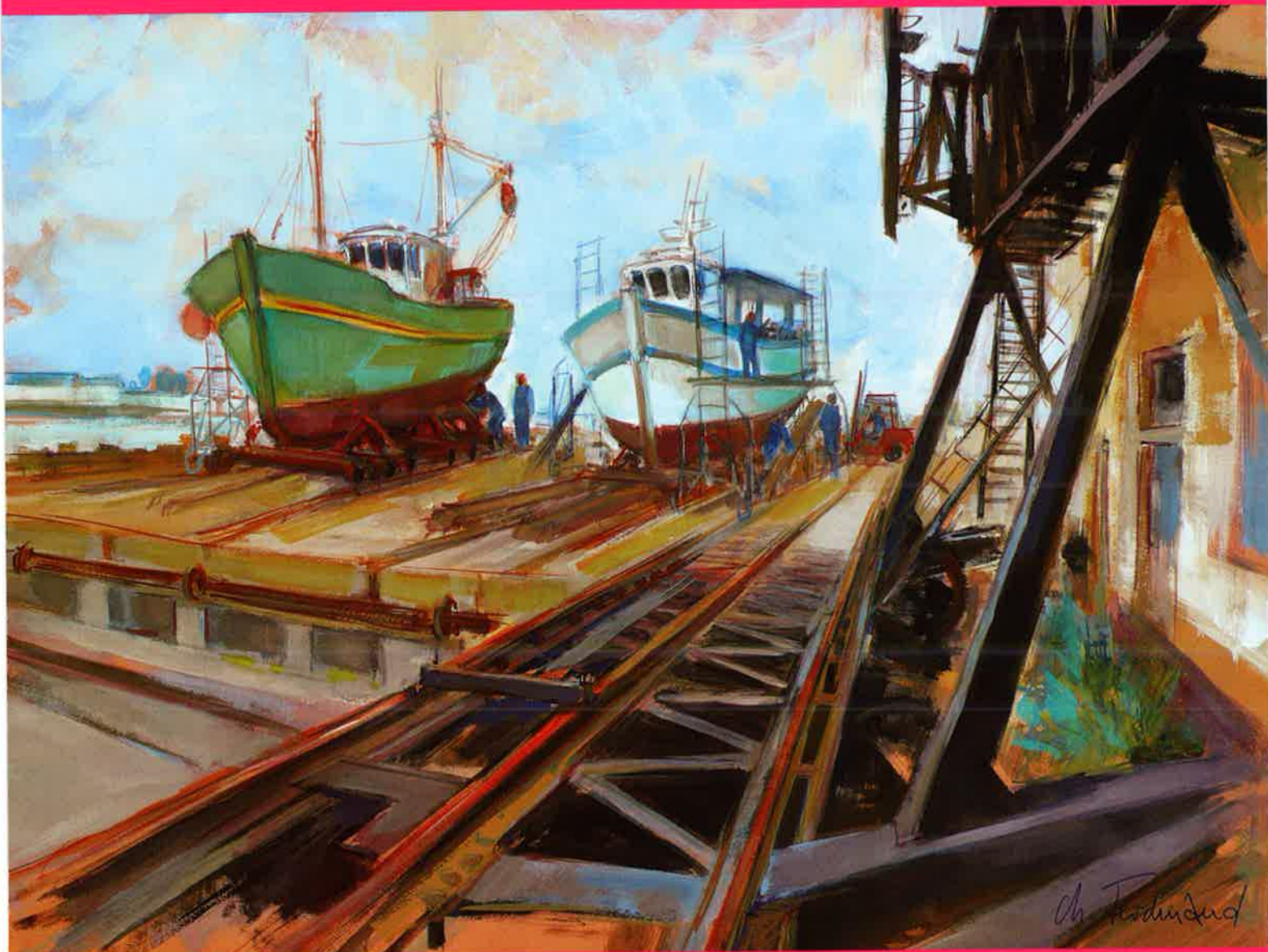
SUPPORTING CLIENTS ON SUSTAINABILITY

Capgemini continues to manage its impact on the environment, primarily focusing on energy consumption, business travel, IT assets and waste. However, by embedding sustainability into its client service offering, the Group has a unique opportunity to help its clients meet their sustainability objectives.

The Group is very active in the development of Green IT®: after comparing 15 suppliers, US research firm Forrester acknowledged Capgemini as a builder of green IT and sustainability practices, and also the growth of the Group's sustainability consulting activities.

Expert analysts have observed the growing momentum of CSR within the Group. Capgemini features in the first quartile of all companies that participated in the 2009 Carbon Disclosure Project (CDP), with an overall score of 68 out of 100. Every year since 2006, the Group has participated in the CDP and completed an annual request for information on its carbon footprint. This included the inventory of its greenhouse gas emissions from its offices, data centers, travel and hotel usage, and statements related to its climate change management strategy. A breakdown reveals that we secured high scores on all segments including reporting capabilities, strategic awareness, and carbon reduction ambition.

® Term, abbreviation or acronym explained in the Glossary (see inside right flap, at the end of the document)



Concarneau shipyard

CSR has no borders

JEREMY MOON, exclusive interview
conducted in Nottingham (England)
on Wednesday April 7, 2010

— Corporate social responsibility is a moving target whose definitions have caused some confusion. A university professor specializing in the field sheds light on some of the issues, notably—with the development of the emerging nations—CSR's new multicultural dimension.



CSR, ethics, sustainable development: companies sometimes experience some difficulty in defining these concepts and therefore in implementing them. Why?

CSR stems from politics, economics and public opinion. It is therefore permanently exposed to the vagaries of current events. The emphasis has shifted over the years from fighting unemployment in the 1980s to protecting the environment in the 1990s (because of several oil disasters in European coastal waters), then to issues raised by children's work in Asia and to financial transparency in the wake of the Enron scandal and the current financial crisis.

All this creates a dynamic quality, causing CSR objectives to differ depending on their topicality. Its definitions are therefore not cast in iron.

For example, what is the relationship between ethics and CSR? Manifestly, ethics have origins that are much wider than the company itself and enter the personal sphere, since they refer to behavior between human beings. Ethics obviously impact CSR. But CSR is much more about management, allocation of responsibilities, consideration of what we are responsible for and what we are not responsible for outside the company, namely the business of business.

Is it more difficult to address CSR issues in times of economic crisis?

The skeptics say that economic crisis is threatening CSR. As soon as companies have to face new budget priorities, they find it difficult not to go back on their commitments if, for example, they have to create redundancies or to source from cheaper countries.

My evidence and my argument is precisely the opposite. I discovered CSR at the height of the massive 1980s unemployment in the United Kingdom. Companies became aware that they needed healthy communities and started investing heavily in training programs. Business in the Community is now the most prominent business organization for CSR in the United Kingdom and, with help from the government, it was born in times of deep recession. Today, despite the crisis, companies in the City of London are interested in what contribution they can make to education in the surrounding areas. Furthermore, the tentative findings of our research demonstrate that, although companies have had to reduce their budgets, they do not imagine that this period will lead to drastic CSR cutbacks in terms of commitments. Of course, a lot of responsibilities are not necessarily financially intensive. It's about ways of working, ways of doing business.

What types of initiatives are being taken outside Europe, for example in Asia?

The Tata Group in India is quite exceptional in terms of social responsibility. And this is a historic phenomenon: during the 20th century, their working conditions and the way they treated their employees were firing far ahead of other companies not only in India but across the world as well. Also, Titan Industries, a subsidiary of the Tata Group, was very imaginative in trying to address the issue of female infanticide. This social problem was combined with that of solving some of their supply chain problems. How? By setting up a supply chain company staffed only by women, as a demonstration of the economic value of women. This company has become

very successful. A further example is found in China, where the Shanghai stock exchange introduced a requirement reporting on the social, environmental and ethical impacts of its member listed companies.

These companies have adopted a different point of view on CSR from that of Western companies. How can this be turned to advantage?

I think it would be very valuable if representatives of Indian and Chinese businesses were participating in some of the global moves such as the United Nations Global Compact and the development of international standards.

How can individuals with differing values accept identical CSR?

Western companies should be careful about imposing their values because they do not want to be accused of imposing imperialist standards on other countries. Diversity in transnational corporations is, in some ways, a metaphor for CSR. The diversity of modern corporations forms a patchwork or kaleidoscope in terms of the implicit values that members of companies bring. An international company will necessarily carry a set of international expectations from its investors, its workers and, conceivably, its home-based customers. But the company must equally become part of the social fabric in the country to which it has moved by working with civil society organizations to better understand the people in the country, the challenges that the company itself may bring and the opportunities generated by its location there.

Does building a socially responsible company take time?

Yes, a long time. And no wild promises! Nike had to go through iterations to come to terms with criticisms of its supply chain: it had made pronouncements about this being in order and then some critic found a case where it was not. So Nike took a long time to integrate much more transparency within its supply chain.

Do you think that a clause should be included in a new recruit's employment contract to cover respect for the company values and code of ethics?

One can see a case for a company with strong ethical values, evidently lived out in the way it is doing its business, not needing to rely on a contract. Conversely, if a company feels that it is not able to rely on inherited values, it may want to make the ethical obligations of its workers more explicit. The danger is that they sign the employment contract and it gets put in the bottom drawer. So this needs to be reviewed, maybe at the annual performance appraisal. It needs to become part of business as usual, and part of staff development.

Professor Jeremy Moon is Director of the International Centre for Corporate Social Responsibility at Nottingham University Business School. The Centre has been in existence for eight years. It runs a specialist MBA (Master of Business Administration) and an MSc (Master of Science) in CSR. His research activities include partnerships with companies and civil society organizations. He is also a Fellow of the Royal Society for the Arts. Among Professor Moon's publications are: J. Moon, W. Orlitzky and G. Whelan (eds), *Corporate Governance and Business Ethics: A Reader* (Edward Elgar, forthcoming 2010); A. Crane, D. Matten and J. Moon, *Corporations and Citizenship* (Cambridge University Press, 2008).

Insights and outlook

Lessons from 2009 and the road ahead—thoughts from some Group managers.

“

In one way 2010 will look like 2009: IT will continue its love-hate relationship with business. If your application landscape is productive and flexible, so is your business. Often it is not. So it's time for a new paradigm: in 2010 courageous managers will ask Capgemini to simplify their IT. We must help our clients build a new city in the old, with a disruptive mix of industrialized solutions and innovative managed services. The target is to reduce total cost by one-third—and we know how! A new decade, a new love affair.

”



John BRAHIM
Application Lifecycle
Services (ALS) –
Global Service Line



Brian GIROUARD
Consumer Products,
Retail & Distribution

“

During 2009, consumers changed their shopping habits to respond to challenging economic conditions. Consequently, many retailers, manufacturers and distributors were forced to dramatically alter their business practices. Capgemini helped its clients rediscover their customers, rethink their organizations and business processes, and redesign their operations and technology. In 2010, we expect to help more companies rapidly transform their processes and technology to thrive in this volatile market.

”

“

In 2009 Capgemini was one of the few brands in its industry to communicate on a worldwide basis. Group advertising focused on the web, where 155 million users viewed its campaigns. A revamped version of the Capgemini.com website was launched to respond better to clients' needs. The web has truly become our number one media. A new online campaign rolled out in May 2010 on 50 major sites will promote our five new global service lines.

”



Philippe GRANGEON
Marketing and Communications

“

Market conditions during this last downturn, in our region of Europe and Latin America, reaffirmed our conviction that close intimacy with our clients and our capability of translating their requests into highly operational projects are key to our success. They also reminded us that, although economic cycles come and go, what determines our future is our response to them, which is linked to our management execution and delivery excellence.

”



Eric MORGAN
Spain, Portugal
and Latin America



Olivier SEVILLIA
TS* Europe 3
(France, Southern Europe
and Latin America)

“

In 2009, certain clients postponed spending, particularly in Manufacturing, Retail and Financial Services. In 2010, all sectors are progressively spending again on IT projects, including new generation e-commerce 2.0 platforms and new business intelligence solutions. This is an opportunity for us since we have what it takes to react! Moreover, we are strongly developing in emerging markets such as Brazil. In short, we are preparing for the rebound—and the initial results are positive.

”

“

We focused our efforts in 2009 on developing solutions for energy savings. Our smart meters and grids have met with strong demand, generating significant revenues. In 2010, smart energy is a buoyant market for two main reasons: for our clients, it is a way of making considerable savings and efficiently contributing to protect the environment.

”



Perry STONEMAN
Smart Energy Services –
Global Service Line



Chenal d'Oléron at low tide

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Colorful works of art

The main purpose of the Capgemini Annual Report, published since 1975, is to provide an up-to-date picture of the Group's situation, against the backdrop of previous years, in terms of strategy, service offering development, organization, new products and more. In order to counterbalance these more technical considerations, from the 1987 issue onwards the Annual Report has been illustrated with the work of contemporary artists. Over 23 years, more than 100 artists have contributed on a voluntary basis, with one or several artists being featured (for the 2007 issue, for example, eight artists were chosen).

This 35th Annual Report presents no exception to the Capgemini custom of selecting, from some 100 applicants, the artist whose work best expresses—or encourages us to share—emotions that spring from countless variations of color and light. Right from the very beginning, the choice of works of art has been consistent in that it is always Serge Kampf who personally makes the final decision; and it is well known how important he considers freedom from cliques, criticism and fashion—all sources of prejudice.

Christian Ferdinand fits perfectly into the tradition created by the publication that is part and parcel of the Capgemini image.

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